



THE

August, 1959

Examinations by the
League

—page 1

Embarzler gets 15 years

—page 4

Credit Union

Bridge

OFFICIAL PUBLICATION OF THE CREDIT UNION NATIONAL ASSOCIATION, INC.

ON THE COVER

John Sprunt Hill, at 90, is still active and interested. In 1915 he piloted the North Carolina credit union law through the legislature. He was a member of the commission that studied European credit unions during Woodrow Wilson's first term. Recently he donated his credit union library to the University of North Carolina.



The Credit Union

Bridge

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COMING SOON

Figuring dividends

Program for chapter presidents

CAN THE CREDIT UNION MOVEMENT

PROVIDE ITS OWN EXAMINATIONS?

Challenged to do so by the government, the Ontario League has given it a try. Result: a stronger League program in every department.

WHEN it was first proposed that the Ontario League should step into the shoes of the government and start examining credit unions, there were some who thought it was impossible.

"You can't collect dues from people, pat them on the back, and examine their credit unions and criticize their shortcomings at the same time. It's a political impossibility," these skeptics argued.

Nevertheless, the Ontario League has now been examining credit unions since February 1958. It has examined about half of its 1266 affiliated groups. As far as the League staff knows, these examinations are the most thorough that credit unions are getting anywhere. And the skeptics have swallowed their doubts. Everybody seems to be happy with the situation. The League is far stronger than it ever was, its whole program has become

The examining program has led to improvements and new developments in more areas than anybody expected.





more realistic, and the movement in Ontario has the highest morale it has ever had.

It started with a defalcation. In Ontario there is a large group of industrial and community groups, mostly English speaking, 98 percent of which belong to the League. There is a smaller group, French speaking, of caisses populaires, largely rural; these have their own federation. A few credit unions and caisses populaires are affiliated with nobody. The defalcation occurred in one of the unaffiliated caisses populaires, the amount of the shortage was about \$169,000, and it was the first serious blow of this kind that had been suffered in the province.

Questions were asked in a cabinet meeting, and the unpleasant truth came out. The province had not been examining credit unions very intensively. The department of insurance, which was responsible, had six credit union inspectors on its staff, and these men simply couldn't keep up with the need. There are credit unions in the province ten, twelve, fourteen years old that have never had an examination.

Cards on the table

The Attorney General, who supervises the department of insurance, agreed that something had to be done. He laid his cards on the table in a meeting with League representatives. One of three things has to happen, he said: either the government requires credit unions to be audited by chartered or public accountants, or we build up our own inspection program, or you in the credit union movement take on the responsibility yourselves.

The idea of self-policing was attractive. There was precedent for it—both in Quebec and in Prince Edward Island the credit unions and caisses populaires are examined by their own leagues or federations, and in Quebec the government actually remunerates the Federation of Caisses Populaires for this activity.

True, any of these alternatives would cost money. But at least a League examining program would be under League control—the costs and standards could be set democratically. It seemed worth a try.

Dues rate raised

The proposal was offered to the delegates at the League annual meeting in 1957. The dues rate at the time was 50 cents per member. It was proposed to raise this to a dollar a member, and to add a dozen field men to the staff. Naturally, this was warmly debated. There were some who felt it was too expensive. There were a few who argued that it would create unmanageable political problems. There were others who doubted the League's ability to develop high enough standards.

But the majority went along, and the dues increase was voted. Two credit unions disaffiliated in protest, but the rest accepted the vote. Dollar dues became effective immediately, and it was up to the League to get the program going.

The necessary legal basis was laid when the Ontario Credit Union Act was amended to authorize examinations by the League. As legislative processes go, this went fast. Within two months, with all three leading

political parties and the administration cooperating, an amendment was added to the Act, saying:

"Any competent person authorized by a league incorporated under this section may examine into the affairs of any credit union that is a member of the league and for such purpose he shall be given access to all books, records, and other documents of the credit union and he may make whatever inquiries are necessary to ascertain its true condition and its ability to provide for the payment of its liabilities as they become due and the officers and employees of the credit union shall facilitate him in his examination and inquiry."

There was a little further delay when Bob Ingram, the League's director of field services, left to become Canadian manager of CUNA. November 1, managing director John Hallinan appointed Jim Turley to succeed Ingram and head up the examination program, giving him a deadline of January 1 to get things moving. Turley, a vehement dedicated Irishman, talked out policy questions with Hallinan, recruited a seasoned accountant named Clint Crowell to develop technical standards and head up training, and hired twelve new field men. January 1, training began.

Staff proves out

Since that time there have been a few additions and reassignments, but in the main the staff remains the same as it was when it was first put together. Miraculously, none of the men hired during the two months between November 1 and January 1 have quit



John Hallinan says the program was started at just the right stage of League development.

Jim Turley says the main problem was developing close coordination.

Clint Croswell says he prefers to take examiners from within the credit union movement.

Gene Rooney operates as a kind of message center and coordinator at the heart of the program.

Jack Homer's educational program gets its orientation from the examiner's reports.



or been fired. Today, the field services department consists of 23 men, 4 of whom work in the Toronto headquarters.

The training of the men took one month. It was assumed that the real training would take place in the field, and that the first month could best be used for quick intensive orientation. Credit union philosophy, the Ontario law and by-laws, insurance and bonding, bookkeeping, accounting and examining procedures filled the month. The men all had credit union background — and even today, Hallinan, Turley and Croswell agree that they would prefer not to hire men from outside the credit union movement for these jobs.

The biggest problem, comments Turley, was to get the new men thinking like a team. They were individual-

ists, with a tendency to rely too heavily on their own experience, taste and intuition. The League determined that every field man would offer the same information, advice and interpretations. There would be no contradictions; if there were any, they would be straightened out.

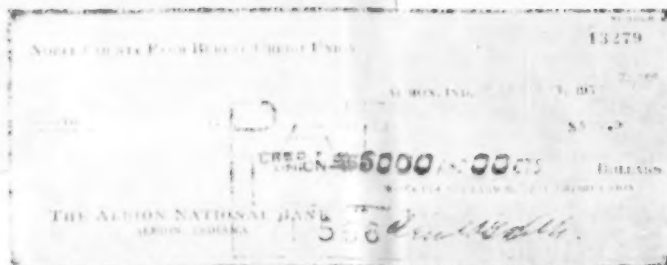
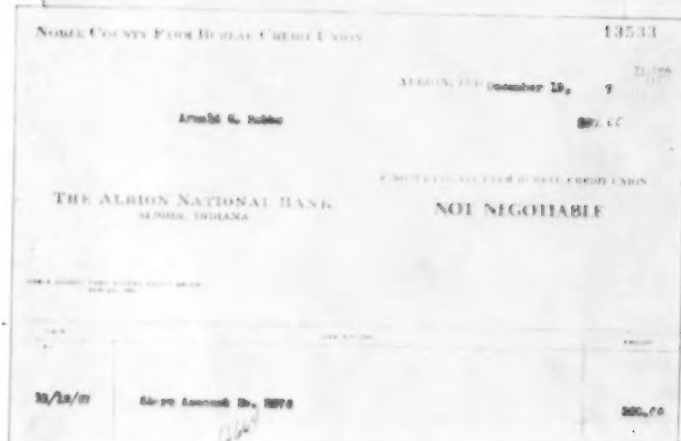
In February, examinations began. By a painful coincidence, among the first credit unions visited, two shortages turned up. One involved straightening out a tangled mess in which three sets of books had to be reconciled. This slowed down the program, so that it didn't really get started till April.

Between April 1 and the League's board meeting in August, 1958, there were 133 credit unions examined. This was naturally slower than the rate set as a goal, and during the next

period, the speed was better. By December 31, 308 credit unions had been examined. The average cost per examination during the first few months was \$101.19, which of course was defrayed entirely from dues income. During the latter part of the year, the average cost dropped to \$85.78. Currently, it is higher again, as more men have been hired and the wage scale has been adjusted upward.

As the examinations proceeded, the League was learning things that other leagues can only guess at. Most leagues have little or no idea how things are going in their member credit unions. The field men drop in and ask how things are, and the usual answer is either "Fine" or some specific comment which does not lead far. The field men do not get a look at the

(Continued on page 18)



\$2,000,

*A jury decided in 40
minutes that Arnold Hobbs
was guilty in the biggest,
most fantastic embezzlement
ever suffered by a
credit union.*

One of the things Hobbs did was to write checks to himself in thousands and post payments in hundreds. It was clumsy and childish, but he got by on charm.

000 MISSING!

ON June 2, 1959, one day after his thirty-third birthday, Arnold G. Hobbs stood before a circuit judge in Fort Wayne, Indiana, and heard himself sentenced to spend the next fifteen years in prison for embezzling more than \$2,000,000 from the Noble County Credit Union. The credit union was not a member of the Indiana Credit Union League and was not bonded through CUNA Insurance Services Department.

Hobbs' astounding crime, far and away the largest in credit union history, had taken more than six years to be discovered. From the discovery date of September 8, 1958, to sentencing date was an agonizing period for many people besides the 280-pound farm boy with a high school education.

In that approximate nine months from September to June, the complications were legion.

- Porter Crowell, Hobbs' attorney and attorney for the credit union, committed suicide in despondency over his failure to detect the crime years earlier.

- Edward Cambridge, a veteran examiner with the state Department of Financial Institutions, was indicted

by a grand jury as an accessory. He wrote a letter, widely circulated by Hobbs stating that credit union deposits were insured up to \$10,000.

- Two committees, one elected at a shareholders' meeting, the other self-appointed, waged a short but bitter fight to reorganize the credit union.

- Eva Belle Malott, a young and attractive former secretary of the credit union, was indicted as an accessory in connection with a specific embezzlement of \$2,000 on April 23, 1956.

- Frank P. Wiley, a business manager for Hobbs' many private businesses, was indicted as an accessory in connection with a \$2,000 embezzlement on March 13, 1958.

- Walter E. Campbell, Hobbs' brother-in-law, was indicted as an accessory in connection with a \$2,400 embezzlement on July 20, 1957.

As late as July 1, bitterness was still strong among the people of Albion, Indiana, population 1200. Hobbs' wife and two children still lived in a large remodeled house with attached maid quarters and swimming pool, where a year ago the children of the town bathed twice

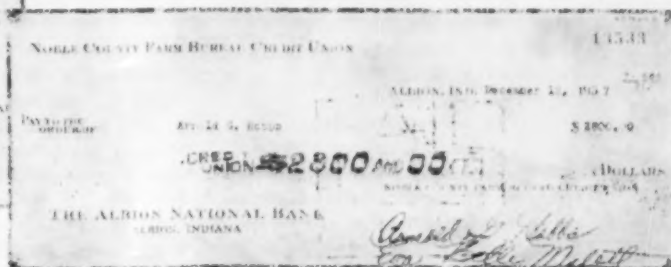
a week by courtesy of Arnold Hobbs.

Hobbs used two techniques to commit the embezzlement which, according to auditors, apparently started in 1952 when Hobbs was made manager.

One technique involved juggling of books, forgery of vouchers, overdrawing of accounts, forced balance of financial statements and complete mastery of protectiveness over the books.

The other technique involved the man's personality. Hobbs is large and affable, possesses a crunching handshake, a quick smile, unrealistic assurance in his voice, a way of charming people into believing in him even though others, including lawyers, warned that all was not right. He spent money freely, joined the right clubs, drove big cars, bought associates astutely and kept friends with a generous outpouring of other people's greenbacks.

"If I heard it once, I heard it a hundred times," said one member referring to the phrase, "Where does Arnie get the money?" Even those who didn't completely trust Hobbs believed that his widowed mother had some means left, which Hobbs





NOBLE COUNTY CREDIT UNION



had apparently invested wisely in several apparently prosperous businesses.

The fact is, according to Noble County prosecuting attorney Louis G. Ketcham, that not one of Hobbs' businesses was making money. They existed only through the juggling of money between them and the credit union. The specific embezzlement on which Hobbs was tried and convicted involved a check for \$1600 payable to Arnold G. Hobbs. The corresponding voucher off of which the credit union books were posted showed a payout of only \$160.

There were so many of these manipulations that they became known to the prosecution as the "ten percenters." Someone, presumably Hobbs, would type everything onto the triplicate check-voucher except the amount. Then they would tear the pieces apart, type the full amount on the face, and type the smaller amounts on the copies. On the \$1600 check in question, Hobbs endorsed it and deposited it to the account of Kimmell Read-Mix, one of his businesses with an account in the credit union. The \$160 showed on credit union books as a loan to Kimmell Read-Mix.

It was amateurish

"A great many of these were poorly done. It was the clumsiest, most ridiculous embezzlement ever perpetrated," were Ketcham's words as he talked to the Bridge reporter. "Hobbs

wasn't smart; he was the clumsiest guy I ever saw," Ketcham added. Ketcham had known Hobbs through their membership in the Rotary Club. "I didn't know much about the credit union before this broke," he admitted.

Auditor Darwin G. Freck is another who learned intimately the manipulations that Hobbs used over the years. His firm was called by the credit union board immediately after the shortage was discovered, and was retained by the Department of Financial Institutions after the board declared the credit union insolvent and asked the state department to take over back in November. Some embezzlements were on the 10 percent vouchers, others were on checks and vouchers for full and corresponding amounts and others were on unrecorded checks, Freck said.

"It was one of the crudest embezzlements I have ever seen," Freck told The Bridge. "It was like a bad dream. Things were in such a mess that normal auditing procedures hit a brick wall. We had to reconstruct the records from 1952 forward. You could tell almost to the day just when Hobbs was made manager-secretary-treasurer. He really got going then. Did you ever see a copy of their annual statement or their monthly financial statement? Anybody that read it could have seen that something was wrong."

Briefly, Freck's audit procedure was to write all 2500 shareholders asking them to bring in or mail in

passbooks for verification. "We got a good return except on small balances or accounts that had been dormant. There was a lot of bitterness evident among the people that we talked to. Some of them thought we were just as bad as Hobbs. Hobbs was released from jail once supposedly to help us, but his attorney wouldn't let him answer our questions. For two weeks during the verification we had ten men working in Albion. After that we cut it to six, but we had an average of four men there all the time."

Bitter feelings

Ketcham pictured the town's feelings: "If Hobbs had gotten out of jail we wouldn't have had a trial. One old man started from his house toward the courthouse in Fort Wayne with a gun. His family talked him out of it because they reminded him that his eyesight wasn't what it used to be. They said, 'You might miss Hobbs and hit the judge or the prosecutor. You wouldn't want to do that.' He said he wouldn't and he left his gun at home."

Within a week after the directors declared the credit union insolvent on November 10 and asked the state to take over and protect its assets, Eugene Parker of Noble County took over as liquidating agent. A middle-aged turkey rancher, Parker is now the only person who can write checks against the credit union, the only one with keys to the building and the only one who knows the combina-



There is a notice on the door of the credit union announcing the emergency. The credit union did not belong to the League.

Hobbs' family still live in his house and are spending freely. The community is bitter.

Hobbs (right), weighing 280 pounds at 33, mixed everywhere and was well liked by everybody. They trusted him.

Hobbs' readymix cement company borrowed steadily, made no repayments.

tion to the safe. As he talked to The Bridge, Parker pulled out of the safe a sample of the evidence, a bundle of notes signed by credit union members in *blank*, perhaps fifty in all. There are other notes, Parker said, that Hobbs got signed in blank, then filled in amounts. As an example, Parker mentioned a credit union member whose signature was found on \$45,000 in notes but who Parker said "is not worth \$5,000."

Though he didn't show them, Parker said he also had possession of loan applications signed in blank by the credit committee. Through grand jury testimony and testimony at Hobbs' trial, the committee and the directors maintained that they knew nothing of supposed loans made by the credit union to Hobbs' businesses.

Should have closed

"You'll never know the truth of all this," Parker said as he verified that the credit union's 1957 ledger has never been found. Parker guesses that the ledger has been burned. In Parker's opinion, "the directors made a big mistake when they stayed open after they fired Hobbs. They should have locked the doors and called in the kevs."

The man under whom the credit union stayed open from September 13 to November 17, when Parker took over, is former assistant manager Fay E. Parr, a slight young man who worked for Hobbs for eighteen months and now is unemployed.

LOAN ACCOUNT			
NAME <u>WILLIAM READ MIX</u>		Book No. <u>2123</u>	
ADDRESS <u>W. A. L. L. INDIANA</u>			
TYPE OF LOAN _____		PAYMENTS _____	
AMOUNT _____		DUE DATE _____	
AMOUNT OF LOAN INTEREST _____		DATE _____	
Transferred May 23, 1967			
LOANED	PAYMENTS	INT	DATE
			BALANCE
5000.00			
6500.00			
2000.00			
88120			
25653			
27500			
100000			
10000			
28500			
15000			
150000			
150000			
90000			
185500			
60000			
100000			
30000			
15000			
20000			
30000			
40000			
50000			
20000			
40000			
10000			
20000			
200000			
	MAR 30 57		3617238**
	APR 1 57		3667238**
	APR 4 57		3938238**
	APR 8 57		3958238**
	APR 8 57		3974358**
	APR 8 57		4000017**
	APR 10 57		4027517**
	APR 12 57		4127517**
	APR 17 57		4137517**
	APR 18 57		4160017**
	APR 20 57		4175017**
	APR 22 57		4325017**
	APR 24 57		4475017**
	APR 26 57		4565017**
	APR 26 57		4750617**
	APR 29 57		4810517**
	APR 30 57		4830517**
	MAY 1 57		4840817**
	MAY 3 57		496517**
	MAY 6 57		5046517**
	MAY 9 57		5086517**
	MAY 10 57		5136517**
	MAY 14 57		5271517**
	MAY 15 57		5281517**
	MAY 18 57		5481517**
	MAY 20 57		5481517**

though living on a productive farm at Kendallville twelve miles away.

Interviewed by The Bridge at a restaurant near the industrial town of Kendallville, Parr claimed credit for being one of the co-discoverers of Hobbs' crime. His story was this:

"I went to work for the credit union in March 1957. I never suspected anything was wrong. I was assistant manager, and I handled loan applications, processed loans and made appraisals for mortgage loans. You couldn't ask for a better employer than Hobbs. He was very congenial. He brought candy and corsages to the girls, and we had parties at his house. He never let me handle the books of the credit union.

"On Monday, September 8, the firm of auditors that Arnold employed to check his private books was in town. They usually worked at his house but they worked at the credit union that day because he was at home sick. Late in the afternoon Robert Higley, one of the auditors, questioned one of the accounts. He and I found the voucher and the check. When he looked at it, he looked at me and said, 'I know what's going on here.'

"We didn't do any more about it until Thursday, September 11, when Hobbs went to a car show in Indianapolis. Higley and I checked some more records that day and made photostat copies. Just in that one day we found \$99,000 in false entries.

"That night I went to Porter Crowell's house. I also went to see Howard Herald, the president. We decided to meet with the board and the chairmen of the supervisory and credit committee next morning. When we did, Crowell suggested that a committee of four go to Indianapolis that day. Hobbs was back in town by then. I guess I made a mistake in not calling in and saying I was sick. He had the police looking for me.

"At Indianapolis we talked to the state department and to the bond carrier. That night I talked to Crowell again. When I called my wife, she said Arnold had had the cops looking for me, so I stayed in a motel that night. We had agreed that the board would meet at 8:30 Saturday morning.

"Next morning Hobbs was right
(Continued on page 26)

FROM THE MANAGING

DIRECTOR:



The prevailing interest rate and credit union dividends

HIGH dividends (interest paid by the credit unions on share-savings of members) is not a goal of credit unions. Yet the increases in prevailing interest rates available on savings placed elsewhere must be taken into consideration by credit unions. Speaking personally, I'd say that those credit unions (there aren't many of them) paying 6 percent and over are paying more dividends than good credit union principles permit, and that those credit unions need to lower dividend rates, give patronage interest refunds, maybe check the salaries they are paying to their employees, do away with financial assistance from their employers, etc.

But, on the other hand, and still speaking personally, I'd say that credit unions paying 3 percent or less in dividends also need to take a look at their operations, for excepting the instances of credit unions just starting out and those in unusual circumstances, they are paying too low a dividend.

We must encourage savings

It isn't good sense to encourage credit union members to save in their own credit unions unless those credit unions pay a reasonable dividend (interest) when they are in normal operation. If we are to encourage real thrift, we must recognize the fact that the natural increase on savings (interest again) is important.

Credit unions that have not been paying a reasonable dividend need to take a look at their operations, too. Maybe they're not properly telling their members of the avail-

ability of loans there and have too much idle money on hand (money in the banks, savings and loan associations, government bonds, etc. is semi-idle so far as credit union purposes are concerned). Maybe they need a real promotion program to get their funds out at work among the members.

Other causes of low dividends

Without question the most usual cause of low dividends is lack of sufficient activity in the loan end of the credit union. But sometimes it can be salaries for paid personnel that are too high; expense accounts that are too high; bad loans that have been carelessly made — and just poor business management in general.

The whole operation of the credit union needs to be looked at every once in a while in any event, but especially when a credit union has been in operation for some time and is unable to pay a reasonable dividend. Management needs to be constantly watching, also the board and even the members.

Not for profit—not for charity —but for service

That's right! That motto is just as good now as in the beginning of the credit union movement. But we mustn't overlook that *Not For Charity!* To be of *Service*, a credit union must pay a reasonable dividend on the savings the members have placed there. If we don't pay a reasonable dividend, we are asking the members for *Charity!*

H. Vance Austin

Ione Quinby Griggs gets letters about all kinds of problems, but money problems are among the most common.



THEY TELL MRS. GRIGGS THEIR TROUBLES

*And this little newspaperwoman finds
there is a terrible need
for education in money management.*

MRS. Griggs: I've lost regard for my husband, who has us deep in debt, buying things on his \$74 (average) weekly pay check," said a recent letter in the *Milwaukee Journal*. "Besides buying a boat motor, expensive lawn mower and power saw that caused us hardship to pay off, it's been one car after another during 10 years of marriage. (Incidentally, he hardly uses the motor, lawn mower and power saw any more.) The minute something goes wrong, like an oil leak, he wants a new car. Now he wants an expensive gun for hunting. Everything is bought on time.

"I'll list our monthly payments, and you can see what is left for food for a family with four children. The list: House payment (now two months overdue), \$82; second house mortgage (late, too), \$23; car payment,

\$63; loan to catch up on delinquent payments, \$35; television payment, \$14.50; his life insurance, \$7.50; bill for gas heat, \$11; electric bill, \$11; water bill, \$14.50; phone bill, \$5. Total, \$254. Can you diagnose what's wrong with him? When I showed him the list he said if I didn't like it I could get a job. Well, if I could I'd leave him! Would it do any good to go to the district attorney?" **BILL SICKNESS**

Mrs. Griggs, whose full name is Ione Quinby Griggs, answers all the letters she gets. A few of them appear in the paper every night, but she gets as many as a hundred a day. She is the only regular columnist in the *Milwaukee Journal*. A seasoned newspaperwoman, she has the sweet wholesome look of a Salvation Army lassie. But she can be sharp in her answers.

She said to **BILL SICKNESS**:

"*Bill Sickness*: Your husband has the 'big head,' that's one of the things wrong with him! And he's shamefully lacking in family responsibility. It would be interesting to see the food on your table if three meals are served every day. Either the menus are below a living standard, or your grocer is a very generous, patient man. I'm wondering, too, how your husband ever got out of second grade with his poor grasp of figures.

"He's at a point now where he can't get out of this muddle unless he makes a lot more money or comes to his senses, putting his family's welfare before personal wants. A talk at the district attorney's office might convince him of the need to change for his own sake and the family's. Don't

(Continued on page 20)

NEW DRIVE AGAINST

ALABAMA LOAN

THE attorney general of Alabama has apparently achieved a breakthrough against loan sharks. On June 25, the State Supreme Court sustained a lower court decision holding that the attorney general can proceed against loan sharks through group injunctions charging public nuisance. This novel development may provide an effective weapon against the Alabama sharks, who up to now have been having a field day.

Last year an examination of eighty-two borrower affidavits revealed interest charges running from 11.6 percent to 2,240 percent. The average interest for 319 loans included in this analysis was 301.9 percent. Other borrowers paid even higher rates; some

were charged over 3,000 percent. Several affidavits in the files of the state's attorney general show that some victims have paid in excess of 7,000 percent.

Alabama has a basic small loans and usury law, which sets a limit of 6 percent on oral and 8 percent on written contracts. But it also says, "The charging of interest at an interest rate in excess of eight percent (8%) per annum shall not be deemed to be a criminal offense . . ." In other words, no teeth.

A battle between the attorney general's office and the loan sharks on new grounds began four years ago. During the summer of 1955, the attorney general sought an injunction

Loan sharks have had a field day in Alabama. A common rate is \$10 for \$50 borrowed for one month.



SHARKS

against a Montgomery loan company on the grounds that it was a "public nuisance" because it was making illegal interest charges. On appeal, the state's Supreme Court agreed with the attorney general.

Handled by Sparks

In 1957, two more injunctions were sought, one of them against 23 lenders in Anniston. The Anniston case was the one which eventually succeeded in the Supreme Court this spring. In charge of collecting evidence and presenting the case in court was an energetic young attorney named Guy Sparks, who happens also to be counsel to the Alabama Credit Union League. Until the Alabama Supreme



GOVERNOR PATTERSON OF ALABAMA HAS HIS OWN REASONS

One reason why John Patterson was elected attorney general of Alabama in 1955 and governor in 1958 was his determination to avenge his father. Albert Patterson, as nominee for attorney general, was shot and killed because of his outspoken campaign against criminal elements.

When the loan shark decision came through, Governor John Patterson said: "This litigation, which I instituted while attorney general, has resulted in the biggest victory against these merchants of misery, the loan sharks, in the people's long struggle to free themselves from financial piracy."



Court's recent approval of the mass indictment method in the Anniston case, the attorney general was able to act only against individual violators.

A new attorney general, MacDonald Gallion, reopened the state's anti-loan shark campaign this spring. He obtained injunctions against three Mobile loan companies, enjoining them from charging illegal interest rates and collecting illegal interest on previous loans. Says Gallion: "This is the first in a series of injunctions that will be sought by the attorney general's department on a statewide basis."

Here are three affidavits of loan shark victims obtained by Alabama's attorney general:

James J. Messer, a father of two youngsters, employed as a locomotive repair worker by the U.S. Army, said on January 11, 1958: "I have been dealing with loan companies in Anniston, Alabama, off and on since 1932, or maybe longer than that. I have been dealing with them ever since there was only one or two in Anniston. I have owed as high as thirteen of them at one time. I know lots of fellows who have really been hurt by them too. I have seen some fellows lose some awfully good jobs on account of them."

Messer reports that the records furnished him by the various loan companies for his income tax reports show that he made these interest payments during 1949, 1950, 1954, 1955 and 1956:

1949

Employees Finance Company	\$ 67.40
Family Loan Company	38.50
Alabama Finance Company	160.00
E-Z Loan Company	97.56
Delta Loan Company	73.40
American Loan Company	72.80
Star Finance Company	98.00
	<hr/>
	\$607.66

1950

Alabama Finance Company	\$257.75
Ward Finance Company	95.50
Employees Finance Company	213.76
Family Loan Company	139.90
State Loan Company	199.20
	<hr/>
	\$936.11

1954

Mutual Loan Company	\$ 80.80
Employees Finance Company	51.66
American Loan Company	89.60
State Finance Company	176.30

Alabama Finance Company	180.00
Friendly Finance Company	60.00
Family Loan Company	151.20
Ace Finance Company	53.20
Ward Finance Company	81.00
Dixie Finance Company	49.80
	<hr/>
	\$973.56

1955

American Loan Company	\$175.00
Alabama Finance Company	160.00
Friendly Finance Company	68.80
Ward Finance Company	64.15
Family Loan Company	231.20
Employees Finance Company	83.80
Ace Finance Company	106.40
Dixie Finance Company	66.03
State Finance Company	347.36
Mutual Loan Company	85.40
	<hr/>
	\$1,388.14

1956

Fidelity Finance Company	\$ 61.20
Friendly Finance Company	29.46
State Finance Company	99.15
Ace Finance Company	22.86
Family Loan Company	210.46
Mutual Loan Company	40.46
Calhoun Credit Company	30.46
Gordon's Finance Company	7.60
Time Loan Service	37.56
American Loan Company	149.60
Ward Finance Company	23.60
	<hr/>
	\$712.41

Continues Messer in his affidavit: "I have not tried to get the 1957 interest statements from them yet.

"At the present time, I owe several loan companies. I owe Employees, Ace, Family, Calhoun Credit, Mutual Loan Company, State Loan, Gordon's Finance, Time Loan Service, American Loan Company, Fidelity Finance Company, and Ward. I have been dealing with all of them for years.

"At Family Loan I was charged a special low rate in the last two years of \$12.50 per hundred dollars for 30 days. I paid it all off in 30 days. This was their special low rate. Before then I paid \$15 per hundred dollars for 30 days. I made many loans there at these rates.

"At Ace Finance Company, I have always paid \$15 interest per 30 days on a hundred dollars, and I've made a lot of loans there at that rate.

"At Mutual Loan Company, I have always paid \$7.60 on \$50 per one month. If you were late you paid 5c on each dollar for each week or part of the week you were late. I have

made a lot of loans there at this rate.

"At Ward Finance Company, I always paid \$7.60 interest on a \$50 loan in a month. I have made a lot of loans there.

"Fidelity Finance Company charged me twenty some odd dollars interest on \$100 for a month. Recently, they went down to \$17 and something on \$100 loan for 30 days.

"Time Loan Service always charged me \$10 interest on \$50 for a month.

"Calhoun Credit Company always charged me \$7.60 a month for \$50.

"American Loan always charged me \$35 interest on \$100 for 3 months. I would pay it off in 3 equal monthly payments of \$45.

"Gordon's Finance always charged me \$7.66 on \$50 for one month in interest.

"I have made many, many loans from all these companies at the interest rates I said over the past years, and right up to now. I've renewed many, many times with all of them. The last time I was near to being out of debt to loan companies was in 1956 when I only owed one of them. From 1938-39 to 1956, I never got out of debt to them.

"I've many many times, more times than I can remember, I have borrowed from one of these loan companies to pay another. I borrowed in 1956 from one of them to pay off all the others. That's how I got down to owing just one in 1956.

"I've been written some bad letters from these loan companies about my debts to them.

"My wife gets angry at me about my borrowing from these loan companies and about owing so many of them. She has fussed at me about it. There is no use in denying that. I don't blame her one bit.

"It would be hard to say just how much interest the Anniston loan companies have gotten off of me. It would be a lot.

"I make \$5,700 a year now. This is the most I have ever made in salary. In 1956, I made \$5,260, which was my best year before this year of 1957.

"I have got lots and lots of records of my dealings with the loan companies."

Jack Graham, a foundry worker and father of two children, swore to this statement before a notary public on November 13, 1957:

"I work at Rudisill Foundry about

3 days a week. I've been back to work about 6 weeks.

"I first began borrowing from Mrs. Jones in 1942. That was the year that I came to work in Anniston. I needed some money to move my family from Alexander City. I went to see Mrs. Jones. I think she was with Southern Finance then. She was in the Wilson Building on the first floor, and later on she moved down in the basement.

"I borrowed \$50.00 from her. I signed to pay back \$75.00. My payments were \$7.00 a week for about 6 months. I paid that note out, but I needed some more money for my family and I borrowed from her again. The same kind of loan. I paid on that note for about 6 months and it seemed like I couldn't get it all paid up. Mrs. Jones told me that I could renew the note and it would be just like a new loan with the same interest.

"I started renewing notes with her. This went on and on and sometimes if I had that note over half paid off, she would let me have the difference between what I owed and \$50.00 and we would make a new note for \$50.00 with same interest and same \$7.00 payment. Sometimes it would take me nearly a year to get paid up. I would need money for doctor bills and trying to fix up my house and I would borrow again from her.

Never out of debt

"The amounts that I would get then would usually be \$50.00. The biggest amount that I ever got was \$100.00. The payments would be \$7.00 a week. This has been going on and on since 1942. The most I've gone without owing her anything is about a month.

"I got to owing some other debts. My work got cut down to 3 days a week. I filed a debtor's petition last fall. Mrs. Jones got me to leave her account off. They have changed the names of her place so much, but I reckon she was running the Jones Discount by then. I was to make my payments at the . . . Building. I paid \$15.00 down there and then they started taking the payments out of my pay at the shop.

"Mrs. Jones cut my payments to her from \$7.00 a week down to \$5.00 a week. I renewed it one time since then and I think I got \$15.00 one time. I made these payments until about 4 weeks before May 8, 1957. About 2 weeks before then I paid \$10.00. I

(Continued on page 28)



Assistant attorney general Robert P. Bradley took an active part in the prosecution of Alabama loan sharks.

Guy Sparks is the special attorney appointed to prepare the evidence and handle the case in court. He is also counsel to the Alabama Credit Union League.



WHAT HAPPENS TO OLD CREDIT UNIONS?

Most of them thrive, as this survey of the first 100 chartered under the Federal Credit Union Act shows.

OF the first 100 credit unions chartered under the federal credit union act, 71 are still operating. On an average, they are doing better in most ways than federal credit unions as a whole. However, considering the fact that they are all 24 or 25 years old, it is astonishing how much variation there is among them. The average loan these credit unions made in 1958 varied from a low of \$104 to a high of \$2,814. The percentage of potential membership that has been signed up as actual members varies from 20.6 percent to 100 percent.

When the federal credit union act was passed in 1934, there was a rapid spurt in the organization of new credit unions. During the first full year, the organization rate more than doubled. Credit unions could now be chartered anywhere in the United States. The net gain rose from 435 in 1934 to 920 in 1935. Many of the first federal groups were chartered in states where local laws and local banking department regulations had made state charters impossible or worthless. Among the first 100 federals organized, 18 were in Connecticut, 14 were in New York, 11 were in Pennsylvania and 7 were in Louisiana.

Thanks to the excellent statistics collected by the Bureau of Federal Credit Unions, it is possible to tell with accuracy how these first 100 are making out.

The totals. Of the first 100 federals, 71 are operating and 29 have been liquidated. The usual reason for liquidation seems to have been "lack of interest," which of course doesn't explain much. Only five of those that liquidated had more than 100 members; only two had more than \$10,000 in shares. Losses, with one exception, were negligible.

The assets of the surviving 71 total \$56,489,558. This is \$795,628 per

credit union, on an average, which is three times greater than the average for all federal credit unions. The total membership of these 71 veterans is 101,243, or 1,426 per credit union, which again is almost three times the



The late Morris Sheppard, senator from Texas in the early 30's, sponsored the Federal Credit Union Act in the upper chamber.

The first credit union chartered under the Act was called the Morris Sheppard Texarkana Federal Credit Union. It serves city employees in Texarkana, Texas. It has 183 members out of 183 potential, and in 1958 its average loan was \$507.

average for all federal credit unions. The percentage of potential that has been signed up is 77.8 percent, which compares with an average for all federal credit unions of 51.3 percent.

The average loan made by these 71 credit unions during 1958 was \$737, which is \$200 higher than the average for all federals. The average share account is \$493, which is about \$150 higher than all federals. In total, these 71 credit unions hold \$33,014,331 in loans, against \$49,901,721 in share

accounts. (All these figures are as of December 31, 1958).

In one respect, these 71 veteran federals compare unfavorably with all federal credit unions. Their ratio of loans to assets is lower. For the 71, the average loans-to-assets ratio is 58.4 percent; for all federals it is 67.8 percent. This decline is evidently one of the symptoms of maturity.

The 71 veterans come in all sizes and types. The smallest has 32 members. The largest has 33,873 members. The smallest has \$2,921 of assets—the largest has \$21,319,414. Many serve groups of federal employees, state employees and teachers. Others serve employees of oil refineries, dairies, department stores and chemical plants. There are several parish groups and fraternal groups among them, and others include meat packing plants, lighting and telephone companies, and newspapers.

Membership. Eight of these 71 credit unions have signed up 100 percent of their membership. On the other hand, 7 have still not signed up 50 percent, although among these 7 there are several of types that do not normally reach high saturation. Of the remaining 57, there are 9 that have better than 90 percent of potential, and the average for all 71 is 77.8 percent.

The 8 "hundred percenters" are a varied group. Although they have each signed up 100 percent of their potential, they do not resemble each other too closely in other ways. The smallest of these has 183 members, and the largest has 1,200. There is a low average share account in one of this group of \$303, and a high in another of \$636. The lowest average loan reported is \$438, and the highest is \$1,316. There is nothing extremely

(Continued on page 22)

Benjamin GoodBird, a schoolbus driver, is president of this Indian group. He believes the credit union is teaching his people to become more self-reliant.



NORTH DAKOTA INDIANS

*find they need a credit union but
have trouble getting it off the ground.*

INDIANS need credit unions," says Benjamin GoodBird, president of Mandaree Credit Union at Mandaree, North Dakota. "But our people must have an opportunity to learn more about the credit union, its history, purposes and operation, before they can completely understand the benefits of credit union membership. This may be a lengthy process. However, I believe, that with proper education, our fellow tribesmen will eventually make full use of their credit union privileges."

GoodBird is a new convert to the credit union idea. When Mandaree was organized on April 4, 1957, he was unwilling to participate. He was frankly suspicious of the new organization. And he cautioned his fellow tribesmen against joining the credit

union. Today GoodBird is convinced that the credit union is exactly what his people need. He does not expect a sudden growth, but he has full confidence in the future of his young group. His fellow directors are unanimous in their estimate that all that Mandaree needs is a sound educational program.

At the beginning of March, 1959, total assets at Mandaree amounted to \$2,019.90. At that time the group had 75 members with joint savings amounting to \$1,577.91. Thirty-nine members were using a total of \$1,978.59 in loans.

Mandaree's field of membership includes the western segment community of Fort Berthold Indian Reservation. It serves the Mandan, Hidatsa and Arikara tribes. The com-

munity is bounded by the Garrison Reservoir to the east, the Little Missouri River to the south, the Reservation boundary to the west and the Blue Buttes to the north. The group's potential membership consists of approximately 100 families with a total of 600 family members.

Started by minister

Starting a credit union on the Fort Berthold Indian Reservation was the idea of the Rev. Ralph Galt, a Congregational minister. Galt has been missionary pastor to the Protestant members of the tribe since 1955. Prior to the second World War, Galt went as a missionary to China with an experimental project called Paoting Rural Experiment of the North China Christian Rural Service Union. In

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

FORT BERTHOLD AGENCY

NEW TOWN, NORTH DAKOTA



James Hall, chairman of the tribal council, is one of Mandaree's founders. He has served on its board since organization.

China, Galt found 25 villages each with a Raiffeisen-type credit cooperative. He assisted the Chinese credit unions with their bookkeeping and central organization work. The Chinese called their organization "The Living Waters Society" because most of the loans were used to dig irrigation wells.

"Indians are not able to borrow freely from the banks," Galt points out. "They are wards of the government. Nor are they free to sell or mortgage their land. And since the Indians have just as many financial problems as other people do, or perhaps even more, it was very clear to me from the beginning that a credit union could be the answer to many of their financial difficulties.

"But just my personal convictions were not enough. Before it was possible to go ahead with the organization of Mandaree Credit Union, it was necessary to create sufficient interest for the credit union on the reservation. This took some time. And although we now have a nucleus of Indian people who are interested in the credit union, Mandaree still has to overcome many hurdles. But I believe that the Indian people are capable of learning and that once they fully understand that the credit union is their friend, they will give it their full support."

Galt has served Mandaree as treasurer since its organization. Not that

he wants to be treasurer, and not that he has the time to give which the task actually needs and deserves. But he realizes that if he were to give up the treasurership today, Mandaree Credit Union would not be able to survive.

Mandaree's leaders are also the leaders of the tribal community. President GoodBird is a bus driver. The group's vice president, James Hall, is a rancher and chairman of the tribal council. Mrs. Emmarine Chase, a housewife, serves as the group's secretary. She is also the clerk of the community's school board. Leland Hall, a son of vice president Jim Hall, is a rancher and also, like his father, a tribal councilman. The fifth board member is Paige Baker, a rancher.

The two Halls, father and son, have served Mandaree continuously since organization. Mrs. Chase is also serving her third year as secretary. And rancher Baker became a director at the 1958 annual meeting.

Credit committee of three

The chairman of Mandaree's credit committee is Ben Fredericks, the community's police chief and jailer. The other two credit committee members are James Danks, a soil conservation employee, and Mrs. Helen GoodBird, the wife of the group's president. The two men on the credit committee have served continuously since organization. Mrs. GoodBird began her credit committee work in January, 1958, at

a time when her husband still had doubts about the soundness of the credit union idea.

Mandaree's supervisory committee consists of the principal of the consolidated school and two high school teachers. The harmonious service of this committee presents an example of interracial cooperation. Each of the three committeemen has a different skin color. In one case it is white, in another it is black and in the third it is red.

• **Reasons for borrowing.** These are the most frequent reasons for borrowing at Mandaree Credit Union:

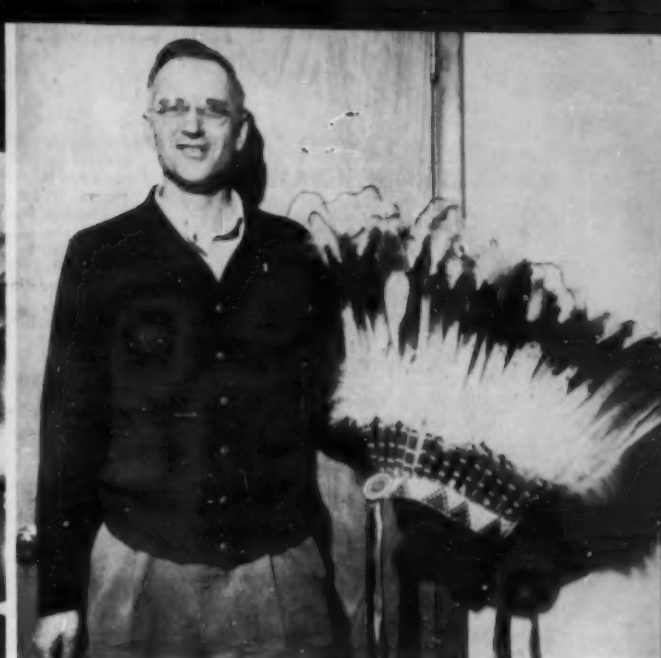
• **Living Expenses.** Many members lease their lands to others for cultivation. Rentals are usually paid only once each year. Because the members have inadequate training in budgeting their income, they frequently are unable to keep sufficient funds on hand to meet current expenses.

• **Emergency Travel.** Mandaree has made several loans for emergency travel for members who needed hospitalization. The government pays all hospital and medical expenses for the Indians who are living on the reservation. But it does not pay for travel charges to the hospital. Since the distance between the hospital and the reservation is at least 25 miles, and in some cases as much as 190 miles, the cost for emergency transportation usually is quite substantial.

• **Ranchers' Operation Expense**



Membership meeting in the new school house on the reservation.



Loans. Members frequently have need for small loans to repair their trucks and automobiles. Other loans in this category are for stock feed and similar expenses.

- **Special Loans.** Mandaree's special loans have included one to enable a member to purchase a television set, several educational loans to enable Indian college students to continue their plans for a higher education, and one loan to make it possible for an Indian rodeo rider to travel to Texas and pay his entrance fee of \$150.

- **Estate Loans.** Several members have borrowed to place additional funds in their share accounts and thus obtain life insurance protection.

- **Problems.** All of Mandaree's many problems are interrelated, and most are based upon inadequate member education.

- **Delinquency.** At the beginning of last March, eighteen of Mandaree's thirty-nine outstanding loans were delinquent. Eleven of these loans were in the two-to-six month category. They amounted to \$559.15. The remaining seven loans were delinquent for twelve months or less. They involved an amount of \$169. Together, these eighteen delinquent loans accounted for \$728.15 of the outstanding total loan balance of \$1,978.59. Comments treasurer Galt: "Our credit committee is working hard on the collection of these delinquent accounts. It has al-

(Continued on page 24)



Treasurer Ralph Galt with a war bonnet which he holds as security for a loan.

Mrs. Bernard Chase has served Mandaree as secretary since organization and is also clerk of the local school board.



Police chief Ben Fredericks, chairman of Mandaree's credit committee, says: "The credit union is making more responsible citizens out of our tribesmen."

ONTARIO LEAGUE EXAMS

(Continued from page 3)

books, and as service men they do not feel entitled to probe very hard. Often a credit union treasurer who knows he has a problem, is embarrassed to admit it. Now the Ontario League was entering credit unions with the law at its back, asking to see the books and searching out the smallest details. The results were sometimes startling.

"We found," said general manager Hallinan in his report to his board in January, 1959, after 308 credit unions had been examined, "that 26 percent of the credit unions had shortages in shares, 24 percent in loans, and 7 percent in cash. A number of these were mainly a result of poor accounting and later corrected; however, about 3 percent were of a more serious nature, and definite action had to be taken. It is interesting to note that about 24 percent of the credit unions were found to have poor bookkeeping, which is comparable to the shortages found in loans and shares."

There were at least three reasons why these conditions existed, as Hallinan sees it now:

- The inadequate examination program of the government.
- The whirlwind organizing methods used in setting up many credit unions in the past, with inadequate follow-up and training.
- The lack of scope of the League's educational program.

Today all these shortcomings are being remedied. The League examining program, plus new methods of follow-up for new credit unions, plus a new and realistic educational program under the direction of Jack Homer, are strengthening the weak spots. Hence, as the League board listened to Hallinan's evaluation, they had no reason to feel pessimistic. The facts were being faced, and something was being done about them. In more detail, here are the weak spots the examiners found in their first 308 examinations:

Deficiency	Percentage of credit unions with this deficiency
Poor loan documents.....	83
Improperly approved executive loans.....	48
Incomplete board minutes.....	45
Supervisory committee inactive, or not properly active.....	42
No by-laws for educational fund.....	38
Delinquency considered inadequately covered by guarantee fund.....	36

Share accounts not balanced with general ledger control.....	26
Loan accounts not balanced with general ledger control.....	24
Bookkeeping inadequate or not up to date.....	24
Credit committee meetings or record of loans approved not kept.....	25
Board not meeting as required by by-laws.....	25
By-laws not up-dated; operations in some respect contrary to Credit Union Act.....	19
Funds not deposited within time set by by-laws.....	14
Credit committee not approving all loans as required by the Act.....	10
Promissory notes not witnessed.....	9
Checks resigned or signed in blank.....	8
Inadequate bond coverage.....	8
Cash on hand not in balance; shortages found.....	7
Loans made in excess of by-laws.....	6
Write-offs to guarantee fund not properly authorized.....	5
Mortgage loan records incomplete.....	5
Names and addresses not properly registered.....	4
Resolution to borrow up to 50 percent not on record.....	4
No allocation, or less than 20 percent allocated, to guarantee fund.....	3
Improper distribution of earnings.....	3
Cash held in excess of amount permitted by by-laws.....	2
Annual meeting held without quorum.....	2
Investments in excess of those permitted by Act.....	1
Poor filing system.....	1

One of the advantages of having examinations conducted by the League as well as by the government became immediately apparent, as well as one of the advantages of supporting the program with dues rather than fees. The League examiners were expected to solve problems as well as discover them; they were expected to do something about the deficiencies they found; and they did not have to ration their time in order to keep fees down. Whatever dues a credit union might be paying, it was entitled to as much attention as it needed to get straightened out. Only in a few cases was it necessary to call in accountants from outside. The League field man was expected to report back to his su-

pervisor how much time he had spent on the actual examination, and how much time he had spent in other ways, so that the League would have some understanding of its costs; but he was expected to do the whole job, not just half of it.

During the first four months, the cost of the program worked out as shown in A below.

The figures made it immediately clear that the examination program was turning up much more work for the fieldmen than just examining credit unions. "General" field work was taking 75 percent of the time and money, while examining was taking only 16 percent. This ratio improved, somewhat, as time passed; during the first 4 months of 1959 (with "general" split up into administrative and bookkeeping), it showed up as in B.

It leads to more work

But even now it is plain that the examination is only a small part of the League field program, in terms of time. What the examination leads to takes more time—and in the long run probably produces more results.

"If we had not had a general League program to back up our examiners," Hallinan says, "the examination program would only have made us feel frustrated. We would have been uncovering things that we couldn't do anything about. Fortunately, we started this at the right time, when the League was able to handle the problems that were discovered. We reorganized some things: we took the education function out of its location with public relations, and we tied education and organization together under Jack Homer. Then we tied public relations and the News to-

A: First Expense Analysis

	Salaries pro-rated	Expenses	Total	Percentage
Examinations	\$12,494.94	\$ 4,183.95	\$16,678.89	16.4%
Chapters	4,027.36	1,688.97	5,716.33	5.8%
General	58,851.50	17,781.21	76,632.71	75.5%
League annual meeting	1,892.81	534.30	2,427.11	2.3%

B: Later Expense Analysis

	Salaries pro-rated	Expenses	Total	Percentage
Examinations	\$13,727	\$3,071	\$16,798	25.4%
Bookkeeping	5,124	831	5,955	9.0%
Administrative	28,189	11,406	39,595	59.8%
Chapters	2,889	905	3,794	5.7%

gether under Gus Harris. Homer has two field men, one an urban specialist and one a rural specialist, organizing new credit unions and running educational programs. Our organization rate has doubled since we did this. Meanwhile, our whole field staff is taking part in the educational program. We are putting on a tremendous number of workshops and weekend schools, and in addition to this Jack Homer is turning out a wealth of educational material. Whenever the examiners turn up some problem that calls for educational material, Homer, Turley and Croswell get together on it and work it out. We never had anything like this before."

The benefits of the examination program spread all through the Ontario credit union movement in all its phases, as Hallinan sees it. Here's what's been accomplished:

- A highly skilled technical staff has been placed in the field, and operating methods of credit unions are being steadily improved. In a few cases, incompetent treasurers have been replaced. Training of officers and committeemen has been intensified, both on the spot through field calls and in a more general way through schools and workshops.
- Danger spots are being eliminated. There's no way to estimate how much losses will be reduced, but it's clear that the effect must be there.
- Contact between credit unions and the League has grown much closer. Personal calls are more frequent; names and addresses are current and make possible better communication by mail. Credit unions call the League oftener.
- The technical skill the staff has developed will serve as a sound basis for a stabilization program, now being planned.
- Other services of the League, such as the collection service and the Central credit department, are being used much more. The central credit department has doubled in size in the last two years, holding now about \$6 million in assets, which is practically all out in loans to credit unions.
- The public relations and legislative relations of the League are stronger, as the effects of the examination program become known.
- The morale of the League is at an all-time peak. As an illustration, while the 1957 budget was considered controversial and took much time to pass,

the 1958 budget was approved in 39 seconds.

How do you go about setting up an examination program?

Clint Croswell, given two months to establish standards, had no place to turn but his own experience, based on the fact that he had audited nearly 200 credit unions and a number of cooperatives. In any case, Hallinan and Turley wanted an examination that would be far more intensive than anything they had heard of. Croswell wrote to other provinces for information, but not much came back that was helpful. When the new men turned up for training on January 2, Croswell had worked out the basic procedures, working papers and report forms, which are still being developed and refined but have not had to be seriously revised.

Pressure at home base

As the reports of the examiners began to flow in, the pressure on the League headquarters staff began to build up. Croswell was appointed supervisor of examinations because it was clear that it was a fulltime job to schedule examinations, review reports, write reports to credit unions, schedule follow-up calls and coordinate the work and training of the men in the field. Turley, as director of field services, was flooded with work that developed as a by-product of the examinations — demands for special training, service and legal problems, contact work with government and other agencies, development of supplementary projects. The volume of paper work necessitated hiring another man for the office and Gene Rooney came in to funnel material in the reports to the appropriate departments and to coordinate replies and responsive action.

Somewhat to everybody's surprise, there turned out to be no serious objection anywhere to the idea of a League fieldman coming into a credit union office and asking for the books. "A fieldman has two jobs," says Turley; "he's got a public relations job and an examining job. He's got to be able to do both." Apparently the fieldmen are having no trouble being both friendly and critical, because the reaction from the credit unions that have been examined has been warm and appreciative.

The League's examiners do not try to catch credit union officers by sur-

prise. They send an advance letter before they arrive, which says, "As you are aware, one of the benefits of League membership is a periodic examination by League personnel. Therefore, we would appreciate the privilege of rendering your credit union this service on (date). In order to expedite our work, we would appreciate your having the following available: 1. receipts and disbursements journal, 2. general ledger, 3. members' ledger(s), 4. loan applications, promissory notes and supporting security, 5. minute book (directors, supervisory and credit committee), 6. by-laws, 7. charter, 8. fidelity bond, 9. cancelled checks, bank statements, bank reconciliations and vouchers for the last 12 months, 10. last balance sheet and operating statement indicating the number of members, 11. annual return to the department of insurance, 12. last fiscal statement, 13. names, addresses and account numbers of officers and collectors, 14. copy of last report of supervisory committee for our file, 15. copies of last tax returns—CT23 and T2, 16. credit union rubber stamp. We would appreciate it if you would advise the writer where the above records can be seen. If convenient we will make our examination at the credit union office; if, however, space is not available we respectfully request your permission to examine your records in our office."

The letter is signed by the field man for the League. There is no point in trying to surprise 95 percent of the credit unions, Croswell believes, because you won't find the records all in one place if you do.

Law forbids audits

Under Ontario statute, a corporation cannot perform audits. But the Ontario League does not let semantics interfere with the thoroughness of its examinations. The usual audit merely audits the balance sheet, but the League examiner *proves* the balance sheet. There are thirty work sheets the League man carries with him when he enters a credit union office, 22 covering operations and 8 covering minutes, by-laws and committee activities.

A major phase of the examining program is the development of new forms. Particularly significant, Croswell believes, is the new synoptic book-keeping form, which more or less resembles the federal form used in the

United States. Getting all credit unions in Ontario onto a uniform bookkeeping method means that it becomes much easier for officers in chapter areas to help each other with bookkeeping problems. They will all be speaking the same language, which is one of the first prerequisites of an educational program.

Other materials that have resulted include a treasurer's handbook, a series of educational releases produced by Jack Homer, a series of interpretive memos to field men, 25 lectures on bookkeeping, and a new supervisory committee form. There's a lot more coming.

Hiring examiners has not turned

out to be difficult. The League insists on men with credit union background and some accounting or auditing experience. One of the men hired is a chartered accountant, and three others are public accountants. The goal set is 40 examinations per year per man. The salary scale at present runs from \$5,000 to \$8,000, and the men are equipped with portable adding machines, typewriters, filing cabinets, forms, pens and pencils. They are expected to furnish their own cars, for which they are recompensed at the rate of \$65 a month plus 5 cents a mile. They work ungodly hours, but they are building a healthy and realistic movement.

MRS. GRIGGS

(Continued from page 9)

delay or your children may be in the county hospital for malnutrition or out on the street." I.Q.G.

Unlike most columnists who answer people's problem letters, Mrs. Griggs gets a wide variety. The teen-ager who complains that her steady has stopped speaking to her doesn't show up often in Mrs. Griggs' mail. Instead, there is a constant parade of women—and almost as many men—asking for advice on how to get along with neighbors, how to handle children, how to care for senile relatives, how to finance needed operations. Many of the problems that come up are money problems. For example, this one:

"Mrs. Griggs: We have been married less than two years and everything was going so wonderful for us, but now we feel like we're sitting on a powder keg that'll blow up soon. If you could only see our home you would know what I mean. It has everything! Better than my folks had after 25 years—complete furnishings for five rooms, a half dozen automatic machines, like washer, ironer, dryer, etc., silver place settings for eight, the latest TV and hi-fi, even a stove that could do everything but talk! And now we may have to give them all back, because my husband broke his leg and got shingles, and I got pregnant! And one creditor threatens to garnishee wages!

"To sum it up, my darling was off from work for four months and we couldn't make the payments! And between doctor bills and having to charge the baby things—crib, bassi-

net, carriage and clothes—we're more in debt. We also have quite a big grocery bill. My husband is back at work, but he is very nervous and I'm afraid he will lose his job if he doesn't sleep better. I may lose the baby, too, if we don't solve our money problems. I wasn't sick at all when I first got pregnant but now when I wake up and think that most any day the street will be cluttered with take back drivers, leaving our apartment practically empty, I get positively nauseated.

"I asked my father to help, but he says he spent so much money on our wedding that he's still in debt for that. My uncle could afford it, but he says it's our job, that he won't jeopardize his coming old age to pay for our 'luxuries.' I don't consider them luxuries, just necessities. He surely didn't expect us to start like he did. Everything would have been all right if my husband hadn't broken his leg and got shingles and I hadn't got pregnant so soon. He has a good job with a large company and I hope he doesn't lose it. Then we might just as well go jump in the lake! Have you any suggestions? SWAMPED WITH DEBT."

To this letter, Mrs. Griggs replied: ". . . when you're married, you're likely to have babies! . . . accidents such as your husband's are among the hazards of living . . . set a reasonable financial pace that will give you sufficient leeway . . . avoid so many installments that they may leave you financially stranded . . . get the habit of saving money, even if it isn't much . . . credit is a help only if it is used sensibly . . . Urge your husband to discuss the problem with the person in charge of the thrift association or credit union if there is one . . ."

Debt and drinking frequently go together in the problem letters that Mrs. Griggs receives. Gambling comes up occasionally. One man wrote that he was \$1,000 in debt after a year of courtship, and the girl still hadn't said yes. A married couple wrote jointly to ask how they could solve the problem of toilet-training their two-year-old child when they both had jobs. A man who said he had no debts to worry him complained, however, that his wife bought things secretly and ran up big bills.

"I have three small children," wrote one woman, "and my husband is a gambling fiend. I know it's against the law for him to gamble, because he was arrested a while back and fined, but that didn't stop him. Our youngest is 1 week old and I have a kidney infection. The doctor said to take it easy, but how can I? My husband hasn't worked for a year, but always has money to gamble with. And sometimes he hits me."

"My husband and I have been married less than four years and have several darling babies," wrote another. "He plays pool every night, except for two evenings a month. He claims he can't settle down . . . Thank goodness he doesn't drink!

"Another big fault of his is buying things on the installment plan. He bought himself a \$250 diamond ring. My wedding ring only cost \$14. Recently he purchased a car above our means."

No finger in psyches

Obviously, many of these people—if not most—are immature and neurotic. Mrs. Griggs frequently suggests a welfare agency, pastoral counselling, or psychiatric treatment. She does not meddle with her correspondents' neuroses, sticking firmly to common-sense advice. Whether mismanagement of money is a symptom of something else or not, Mrs. Griggs treats money problems seriously. She has written, "money is almost as necessary as air, so the right attitudes about it and knowing how to manage it is important to everyone. It can mean the difference between happiness and misery, poverty and security."

Many people fail to plan for emergencies, said Mrs. Griggs thoughtfully the other day, as she reviewed some of her recent mail with a reporter from The Bridge. "They are so naive, so

optimistic, that they can't conceive of anything happening to upset the applecart. Part of this is the hopeful view of youth, the belief that they can cope with anything that comes, but the other part is lack of maturity in looking ahead and planning, and the confused idea that it's important to have everything they want now. The importance of 'today' and the irresistible lure of possessions makes them say 'next year' or 'in five years' we'll start saving. Now we are young, and who knows if we'll be here or if the world will be here in a few years. The uncertainty of the times and several wars, I think, have had something to do with this kind of thinking."

Of course, many people do plan for emergencies, Mrs. Griggs hastily pointed out. But there are people who make the same mistakes again and again. "I have in mind one family with ten children. A few years ago, when I ran letters from financially stricken families at Christmas time (which I don't do any more, as we don't have facilities to check properly, and there is a Christmas bureau here to help many families), the mother of ten wrote me a pitiful letter. She said her husband was out of a job, they were badly in debt, and the children were writing to Santa to 'please send us toys and dolls, and please send papa a job.'"

A personal visit

Mrs. Griggs went to see them, something she doesn't do often. "The yard of their rear house was full of wash lines—a daily sight—indicating the mother at least tried to keep her brood clean. They had gone on relief a month before. In the house were an electric stove, an automatic washer, a dryer, an electric iron, a vacuum cleaner, a television set and other articles, all with a new shiny look. The mother almost wept as she wondered how she would wash and cook if they started taking the appliances back. She said, 'I didn't think it could happen to us. My husband had a job he got two years ago, and he was doing all right, but suddenly they laid him off.'"

"The relief people helped them salvage the washer and get a second-hand stove. The rest of the appliances were taken back. Six months later the man got another job. In ten months the wife wrote me again. They had

everything 'nice again,' with 'new stove, dryer, etc.,' when the company went on strike. I'm afraid they were the kind of people who didn't have the facts of financial life taught them early enough, who let good advice go in one ear and out the other."

Most people think that more money will solve their problems. Mrs. Griggs is skeptical. She says money management regardless of resources is a part of total personal management, a reflection of upbringing and habits, not a thing apart.

"Education is most effective, I think, when it begins early. Family life classes starting at the high school level, teaching practical facts about money needs and problems, stressing what can happen and how to prevent it happening, should help. There are a number of family life classes at the college level—although I don't know how much of the instruction includes finances—but there are not many for high school boys and girls. Incidentally, I find that recent college graduates tend to start marriage with a more down-to-earth attitude about money and material values than couples who go right from high school to jobs, and marry early. Part of this may be due to the fact that young people who want to get a higher education have a higher sense of values and are inclined to think things through. They appreciate other satisfactions than just material ones.

"Many who prefer jobs right away to getting a higher education are lured by quick material gains—cars and other 'things'—and when they marry it's reflected in their attitudes. There is a tendency to want too much too soon. They are slaves of whatever is customary among their contemporaries, they must show the world they can have everything their friends have in the picture windows down the street. Some practical truths in high school might alert many of them."

Two groups in trouble

Unrealistic attitudes about material things are most apparent in two groups: those who have had too much showered on them, and those who have never had much of anything, Mrs. Griggs observes. "The more practical and conservative, I've found, are those who were brought up to realize that splurging doesn't make the man or woman—those who are products of homes with sensible back-

grounds and values. If they don't get it at home, certainly something should be done to teach them how to save money sensibly and to save themselves, while in school.

"Most people need to manage themselves before they can manage money. If they haven't had this disciplinary training at home, they may be babes in the woods when the practical facts of life catch up with them. Miraculously, many come through all right after much trial and error, sometimes by luck, sometimes because of inherent qualities of fortitude and common sense that come to the rescue in time, but too many become hopelessly muddled and swamped emotionally and financially."

Where to get education

Some vocational schools have what they call family life service departments—Mrs. Griggs points out: helping grandmothers to understand their grandchildren, helping housewives to enjoy their homes, helping mothers of twins to cope with two babies at once. This might be one place for teaching and discussing practical financial problems. (Most vocational schools offer classes and help to adults as well as younger people.) The American Red Cross has classes for prospective mothers and fathers, teaching both how to handle, protect and do their best by the coming babies. Some of the financial truths of a marriage's first emergency—advent of the first baby—might be incorporated in the program.

Some churches offer pre-marriage classes for engaged couples. Along with other marital problems, there could be discussions of financial problems by a financial expert that would alert them to facts they should know about money management and saving for emergencies. It should be impressed upon them that it isn't always how to make money that keeps the family insolvent, but how to save, manage or spend it. Perhaps credit unions and thrift associations could make certain financial truths available to employees, Mrs. Griggs suggests.

"Poor attitudes or conflicting attitudes about handling money cause much trouble," said Mrs. Griggs to The Bridge reporter. "The husband is a spender and the wife tight-fisted, or the husband wants to spend more on show and the wife on practical

needs. The husband won't give the wife an allowance or make any satisfactory money arrangements, does out a dollar at a time and makes her feel like a house slave or unable to do her best for the budget—all because he wants to be the 'boss' or his father didn't let his mother handle the money.

"He may insist on doing the cash grocery shopping himself, week ends; or perhaps he lets her charge at the corner grocery and gripes if the bill goes over a certain amount. An allowance, or handling the paycheck (if she is to be trusted), would give her a chance to feel like a human being and a partner, would help in their marital relationship, but he doesn't know this or has a blind spot about it. An allowance could help save money, because she could watch and buy at the best times, but he doesn't see, oftentimes, that this is one way of saving. A lot of grief would be saved if some of these facts were ingrained before marriage.

"Some husbands and wives, both working, fight over paychecks. Many get all tangled up emotionally over 'who is boss.' It isn't a question of whether wives should or shouldn't work these days. A big percentage are earning outside the home, often from necessity, because one paycheck doesn't reach, and women are going to keep right on earning. The important thing is that, if both are working, they have the right attitudes about managing the checks and right ways to use the money for the best welfare of everyone concerned. Better attitudes would help both husband and wife to co-operate more ably and gracefully.

"In some cases the size of family just won't keep in line with increased costs, and ability to provide, but on the other hand some people get along fine and make out with hard work, sacrifice, thrift and faith, so we have to admit that it isn't all due to the size of the family and increased costs.

"I know one family with eight children, now young adults. All won scholarships to college. All are starting out in professions and seem on the way to being successful. The children were all taught to help with the housework at home—there are five boys, and every one of them worked part-time while getting their education. Both parents have worked for years and not for big salaries. These par-

ents had definite money values and ingrained them in the children. First things were put first. They didn't fritter money away on chances. Yet they have always had fun and enjoyed life."

Drinking husbands, in Mrs. Griggs' experience, cause a lot of financial insolvency in the family. "In the main, these husbands are immature, running away from unpleasant situations," she comments. "If they drink a lot, depleting the paycheck, they demoralize the family. In such cases there isn't much to do for them unless they come to the point they realize they can't change things unless they stop drinking. They may not be able to stop by themselves, but must be willing to co-operate with the local or nearest Alcoholics Anonymous. They must see that you can't mix liquor bottles and baby bottles, can't support a home if they support a bar."

There may also be some simple physical condition at the root of the

trouble. "One wife wrote that she and her husband could never get to bed nights—were habitually late getting up mornings. Both had had the habit of being late since grade school. The husband had lost one job because of it. They had to be shown what could happen to their whole way of living if they didn't change. Because they both said they never could get started mornings, that they both felt let down, it was suggested that they get medical checkups. It was found both had low blood pressure, and when that was helped their attitudes improved."

Married couples should discuss their finances openly and aboveboard, Mrs. Griggs keeps telling the people who write in about their problems. Anything that can be done to encourage couples to do this, especially when they are just getting married, will help avert a lot of trouble later. Credit union counselors should aim at helping this along, within the limits of the credit union's proper role.

OLD CREDIT UNIONS

(Continued from page 14)

low or small, nothing extremely high or big, in this group, but the range of variation is still considerable.

As for those that have signed up low percentages of their potential, there are 9 of these still under the 50 percent level. Their ratios run from 20.6 to 48.0 percent. Two of these are parish groups and one is rural, but several of the others are government employees. The actual membership ranges from 144 to 4,858; the average share account varies between \$151 and \$663; and the average loan runs as low as \$273 or as high as \$1,701. Four of these 9 have a higher average loan than the average for all 71 veteran federals.

Share accounts. Probably the least impressive thing about these 71

credit unions, when you compare them with all federal credit unions, is the record on shares. The average share account of \$493—only \$150 above the average for all federals—does not look like a big achievement for a group of credit unions 24 years old. (More than half of the present 9,000 federal credit unions were organized after 1949.)

However, there is quite a range in average share accounts among these 71 veteran federals. The lowest average reported is \$58, and the highest is \$795. Twelve report averages over \$600, while 18 report averages under \$200.

It's interesting to take a look at the six with the largest average share accounts. All six have averages over \$700. Generally, they turn out to be large in membership and large in average loans too. Here's the record:

Six With Highest Share Accounts				
Credit Union	Average Shares	Members	Average Loan	Actual/Potential
A	\$795	1,384	\$ 699	98.9%
B	778	2,996	1,178	85.6
C	743	619	405	92.4
D	734	2,849	2,100	96.6
E	707	3,680	1,264	96.3
F	706	256	2,814	64.0

Classified by type, these six include the following groups: urban community, meat packing, telephone, store, fraternal, petroleum. The urban and fraternal groups, it should be added, are basically small businessmen's organizations and show the two highest average loan figures.

Looking at the credit unions with low average share accounts, you find that these are usually small groups. The six that report average share accounts under \$150 have an average membership of 871, but four of them have fewer than 200 members. None has 90 percent of its potential membership, and the average loan is generally low. Here are the figures:

Six With Lowest Share Accounts				
Credit Union	Average Shares	Members	Average Loan	Actual/Potential
G	\$ 58	32	\$104	80.0%
H	122	4,254	320	70.9
I	123	57	161	54.8
J	138	183	903	73.2
K	141	172	587	68.8
L	141	527	527	58.6

Classified by type, these six include three public employee groups and three other mixed types: schools, state employees, federal employees, meat packing, rural community and dairy. The rural community group shows the highest average loan.

Average loan. The extreme range of average loans—from \$104 to \$2,814—is not misleading. Actually, for the whole group, there is a wide spread. Ten showed average loans under \$300 for 1958. Seven showed average loans over \$1200. Here's a breakdown:

Average Loan	Reported by Number of Credit Unions
Under \$300	10
\$300-499	17
\$500-699	17
\$700-899	9
\$900-1200	11
Over \$1200	7

The credit unions with low average loans are also, for the most part, the credit unions with low average share accounts. They are also, usually, groups with small actual membership—only one has more than 1,000 members. Here's the way the ten credit unions with the smallest loan average look:

Ten with Lowest Average Loans				
Credit Union	Average Loan	Members	Average Shares	Actual/Potential
M	\$104	32	\$ 58	75.1%
N	111	624	393	62.4
O	161	57	123	54.8
P	165	169	101	56.3
Q	190	79	191	83.2
R	236	68	143	68.0
S	237	1,375	294	70.5
T	244	62	165	88.6
U	261	353	179	75.1
V	273	94	152	23.5

By comparison, the credit unions with high average loans are much larger. Their membership is large, frequently their ratio of actual to potential membership is high, and their average share accounts are high. Here are the figures:

Seven with Highest Average Loans				
Credit Union	Average Loan	Members	Average Shares	Actual/Potential
W	\$2,814	256	\$706	64.0%
X	2,100	2,849	734	96.6
Y	1,701	816	663	48.0
Z	1,316	1,200	636	100.0
AA	1,264	3,680	707	96.3
BB	1,248	1,514	428	74.8
CC	1,229	1,157	565	100.0

made 1,400 loans, while another with 860 members made only 240 loans. Consider this one: credit union DD made slightly more than one loan per member during 1958 (1.03), its average loan was \$1,073, its average share account was \$687, yet it had only 52.8

percent of its assets in loans. On the other hand, credit union EE made .48 loans per member, its average loan was \$527, its average share account was \$141, and it had 94.4 percent of its assets in loans. So many factors enter into this relationship—payday loans, reduced interest rates encouraging big loans, underdeveloped share accounts—that no pattern can be established.

Assets distribution. It is generally believed that a credit union with a high percentage of its assets in personal loans is doing a better job than a credit union with a low percentage. As pointed out earlier, these 71 veteran federal credit unions are not doing as well in this respect as the average federal credit union, in spite of the fact that the 71 veterans have a considerably larger average loan.

There are 9 of these 71, however, that have 90 percent or more of their assets in loans. On the other hand, 15 have less than 50 percent of their assets in loans. The lowest percentage reported is 12.4 percent, but 4 others report 23.8 percent, 25.4 percent, 27.0 percent and 28.0 percent. Looking at these 5 low groups, it is interesting to note that they include a dairy group, two parish groups, a department store group and an industrial group (machinery manufacturing).

Among the 9 that have more than 90 percent of their assets in loans, the average loan ranges from \$111 to \$930. The membership ratio varies from 20.6 percent to 100 percent. Two of these credit unions have a membership under 200; the largest has 848. Their average share accounts range from \$138 to \$568, only one being above the average of the 71 veterans as a group.

Turning to the 15 with low loans-

to-assets ratios, those with less than 50 percent of their assets in loans, you find that these credit unions are larger. There are 3 in this group with more than a million of assets (there were none in the high ratio group), and 7 have more than 1,000 members. The average loan in this group varies between \$161 and \$1,005. One has 100 percent membership and 4 have over 90 percent. Average share accounts run higher: there are 2 over \$600 and 2 more over \$500, while only 4 are under \$300.

One finding seems reasonably clear: when the ratio of loans to assets is high, it usually means that share accounts have not been well developed, rather than indicating superlative loan service.

Liquidations. There were 29 credit unions liquidated out of the first 100 chartered under the federal act. This is somewhat lower than the liquidation figure for all federal credit unions, which has run about 35 percent. The reason for liquidation as reported is usually the vague statement: "Lack of interest," sometimes supplemented by "Decline of assets." In other cases, it is "No reasons reported" or "Unable to secure competent officers." In two cases, a plant

THE FIRST 100 FEDERAL CREDIT UNIONS		
	First 100 (71 operative)	All Federals
Total assets	\$56,489,558	\$2,034,866,000
Assets per credit union	\$795,628	\$225,345
Total loans outstanding	\$33,014,331	\$1,379,724,000
Average loan made in 1958	\$737	\$535
Total shares	\$49,901,721	\$1,812,017,000
Average shares account	\$493	\$348
Members	101,243	5,209,912
Potential members	130,196	10,147,000
Actual/potential	77.8%	51.3%
Loans made, 1958 (number)	66,474	3,779,000
Loans made, 1958 (amount)	\$48,982,267	\$2,022,000,000
Dividends paid, 1958	\$1,560,898	\$63,083,000
Members per credit union	1,426	577
Loans/assets	58.4%	67.8%
Loans/shares	66.2%	76.1%
Historic liquidation rate	29 %	22.5%
(There were 9,030 federal credit unions at the end of 1958)		

closing was responsible, and in two others, company domination was given as the reason. One resulted from a merger, and the only liquidation which entailed a large loss resulted from "Mismanagement."

In 18 cases out of these 29, the members received 100 percent or more on their savings. In only 10 was there more than \$1,000 of shares involved; there was a loss of \$80 in one of these and a loss of \$33,778 in the other, which was the mismanagement case and in which the members received 94 cents on the dollar.

Summing up. Looking over the

record of the first 100 federal credit unions, it seems obvious that human factors play a large part in the growth of credit unions. The board of directors and the treasurer, the members of the committees, the character of the membership, the nature of the community in which the credit union exists, the atmosphere of the plant or sponsor organization in which the credit union has been set up—all these forces can be felt to some extent behind the figures. Catching a glimpse of human personalities among the statistics is the tantalizing part of the study.

INDIAN GROUP

(Continued from page 17)

ready had some success. And we hope that it will continue to persevere."

Adds credit committee chairman Ben Fredericks, the community's chief of police: "We have never had to take action to collect through our tribal court. Our members are constantly learning better money management methods. And I feel that the credit union is making more responsible citizens out of our tribesmen."

• **Member Education.** Mandaree's board and committees are unanimous in recognizing the need for broad and intensive member education. Today, the group's leaders are urgently seeking a way to solve this problem. All directors and committeemen feel that both present and prospective members will make much wider use of the credit union once they have a complete understanding of membership benefits.

• **Savings Program.** Mandaree has never had a systematic savings program. None of its members are now

saving systematically. Says treasurer Galt: "Before we can have a systematic savings program, or any savings program whatsoever, we must find a way to motivate our members. Thus far we have not even been able to take the first step in this direction."

• **Board Training.** The board members agree that an education committee is one of the best devices to help both the board and the membership to gain a better understanding of the credit union's purposes and functions. Mandaree's directors are giving serious thought to the creation of such a committee. And they feel that the committee's chairman should have special training.

Recently the North Dakota Credit Union League offered Mandaree's board the opportunity to select one of its group to go to Jamestown for a training session. Comments Ralph Galt: "This looks like an excellent solution to our problem. But it may be difficult to find someone who is willing and able to go. Again we are faced by the problem of motivation. Obviously I am not the person who should go.

This is an Indian credit union. And I am a non-Indian. The person who goes, would, of course, be making a substantial sacrifice in time. But if we can succeed in convincing him of the benefits which the entire tribe would derive from his presence at such an educational session, we would have taken an important step in the right direction."

• **Member Responsibility.** Lack of member responsibility is based upon the Indians' inexperience in sound money management methods. Says board member Paige Baker: "Unfortunately, the government's wardship status policies, which make the Indian a ward of the federal government, do not encourage the development of individual initiative. And I fear that this is perhaps one of the principal reasons why so many of our members do not feel responsible for their debts. At present an Indian can refuse to pay a loan which he obtains from a banker or other moneylender. And since our reservation's law enforcement officer is not a collector, it is possible for our tribesmen to ignore

their obligations to moneylending institutions. Such a situation does not encourage the development and growth of responsible citizenship.

"Our credit union is trying to teach the members that they are responsible for all debts which they may contract. I think we are making some progress. But our group will have to work hard to develop the general acceptance of debtor responsibility among our people."

- **Lack of Mutual Trust.** Mandaree's members have only very limited trust and faith in each other. Many members who can afford to place substantial savings regularly in their share accounts, prefer to invest their earnings elsewhere. They feel that the credit union is unsafe and unsound because it makes loans to fellow tribesmen whom they consider less than trustworthy.

Remarks treasurer Galt: "It seems to me that the best argument against this theory is that we have not had to write off a single cent since our organization. By the end of last February, we had made a total of seventy-two loans. They amounted to \$3,883. Twenty-six of these loans have been fully repaid. And we have succeeded in encouraging all of our borrowing members by demonstrating to them that we have full faith in their character."

Most of Mandaree's loans are for very small amounts. During 1958, twenty-three of the group's loans were for \$50 or less. Since organization, twenty-one of its loans were for amounts between \$50 and \$100. And only five of the group's loans exceeded \$100.

- **Sources of income.** A major share of the Indians' income comes from leases. Most of this lease money is not paid directly to the Indians but goes first to the Indian agent. When an Indian wants to obtain money held for him at the Indian Agency in an Individual Indian Money account, he has to apply for a release of the funds. This may take some time. Occasionally substantial formalities are required. Many Indians dislike these restrictions.

Some of the reservation's Indians have substantial financial resources. They resent the wardship exercised over them by the Agency. For example, all Indians, regardless of their financial position, need the Indian Agency's permission to withdraw funds held in the names of their chil-

dren. These funds include per capita indemnifications and land lease income. When an Indian wants to withdraw his children's funds, the Agency requires the approval of its social worker.

- **Wages.** A number of the reservation's Indians are employed by the federal government. These include school bus drivers, road maintenance workers, teachers, soil conservation agents and others. The Indians also earn wages by outside employment such as roughneck oil drilling and farm work.

- **Agricultural Earnings.** Many Mandaree members obtain income from the sale of cattle, grain and leasing of land. This land is allotted to the Indians by the government in individual parcels of land. Some of Mandaree's members lease their land, or a portion of it, for such purposes as grazing, haying and oil drilling.

- **Government Payments.** Government payments to the members of the Mandaree community include compensation for uprooting and moving Indian families. Recently the government granted a per capita compensation of \$1,300 for each registered Indian on the reservation.

- **Welfare Checks.** Says treasurer Galt: "There are far more people on welfare today than there were three or four years ago."

- **Effect of credit union on community.** Mandaree's effect on the Indian community has been quite limited. The credit union has taught some members more responsible money management methods, but these are definitely in the minority.

Some members of the tribe view credit union savings as a silly undertaking: wasteful, risky and of no potential value. But there is no unanimity about this. Savings and wealth are not respected by the tribesmen. Rather they produce jealousies and resentment. Tribesmen who squander their resources are in the habit of begging from the more thrifty members of the community.

Mandaree has had no effect at all on the occupation of its members. Nor has it substantially affected the regularity of their employment. In a few isolated instances, some of Mandaree's productive loans did help several members to earn larger incomes. These instances involve loans for cattle feed, sheep feed, truck repairs, and a loan enabling a teacher to get additional summer school education which

she needed to maintain a teacher's certificate.

"Our members have made good use of their loan funds," reports treasurer Galt. "But, unfortunately, they do not have a sound attitude toward their obligation to repay. Only a few appreciate the full extent of their responsibility. That is one of our principal troubles."

- **Savings.** Comments one of Mandaree's directors: "Some of our non-members in the school are saving more regularly than our members. They are buying government war bond saving stamps. Most of our members have no savings. The majority never thought that they could save anything, and they do not try to save regularly or systematically."

But this does not mean that Mandaree's members have no assets. Most of them own land. Many own livestock. A large number own government bonds.

- **Loan policies.** Mandaree requires security or token security for most loans. In some cases it has accepted such items as war bonnets as security. Frequently Mandaree asks the member to offer an object of substantial security for a very small loan. The purpose of such requests is to impress upon the member that he is responsible to the credit union for all borrowed funds. But Mandaree does not file chattel mortgages for these small loans because they are in reality character loans.

There may be a question regarding Mandaree's legal ability to collect loans from its Indian members, says Ralph Galt. But he feels that pressure could be brought to bear from very high sources to collect if necessary.

Recently Mandaree began to require each loan applicant to have at least one-fourth of the requested loan amount in his share account. When a borrower's share account is not sufficiently large, Mandaree increases the amount of the loan to enable the member to raise his share balance to the required minimum.

Borrowing members must leave their shares in their share accounts for at least six months after completing the loan repayment.

When a member uses livestock as security for a loan, Mandaree asks him for a bill of sale and mortgage papers on this livestock.

- **Other loan sources.** In some instances, Indians may have the opportunity to borrow from banks, FHA,

the federal government or their tribe. Bank loans which cannot be repudiated by the Indians, require a government guarantee. In such cases the government guarantees the loan to the bank and collects through the borrower's Individual Indian Money account at the Indian Agency in the event of a default on the contract. FHA loans are made only in exceptional cases to Indians. And direct loans by the federal government or by the tribe involve much red tape.

Says one of Mandaree's board members: "It is the red tape, the constant indignities and delays, which have made our past credit experience so very unsatisfactory. By the same token the simple and direct approach of the credit union to all loan problems is what makes the credit union so very attractive to our Indian community."

Sums up vice president James Hall,

HOBBS

(Continued from page 8)

there at Crowell's office at 8:30. Somebody said, 'Arnold, what's this all about?' He was huffing and puffing and carrying his briefcase. He pulled a bunch of share cards out of his briefcase and started talking. Before he had said too much, I stopped him and asked to see him a minute. We went into another room and I said, 'Arnold, don't lie to these fellows.' He said, 'I guess you're right.'

"I rode back to Albion with Arnold. The only things he could say were, 'I wonder how much it is' and 'I wonder why I did it.'"

Later that morning at the credit union office the board fired Hobbs and named Parr acting manager. At that time the credit union had nine fulltime employees, counting Hobbs, and two part time. With time out for surgery in January, Parr remained acting manager until Parker fired him in February.

Meanwhile, another major development was the assignment by Hobbs, his wife, his brother-in-law, Campbell, and Campbell's wife of their interests in all of Hobbs' businesses. These included Kimmell Read-Mix Inc., Kimmell Aggregate Inc., Holiday Gravel Company, Inc., Albion Hardware, Inc., Elmo Manufacturing Company, Inc., Osburn Construction Company, Inc., and B. and D. Motors.

On attorney's advice, the directors

chairman of the tribal council: "Indians do not have faith in each other. They do not have any motivation for saving. They believe in giving away the fruit of their labors. And they do not respect the members of their tribe who are saving, but look upon them as foolish."

"As long as our tribe continues to feel this way, the growth of our group will remain slow and laborious. But if we find a way to develop an effective channel of communication between the credit union and our membership, then the barriers to our growth will gradually fall away. Our group needs credit union services. But before we are ready to make full use of these services, we must find a way to motivate our membership to regular savings and responsible loan repayments through a comprehensive educational program."

declared the credit union closed for business except to receive loan payments and notified depositors that a sixty-day waiting period for withdrawals was in effect starting September 15. An audit was begun, and grand jury investigation started on October 20; Hobbs was indicted that afternoon.

His first night in jail

On November 1, with a tentative estimate of \$1,500,000 loss from the auditors, the directors declared the credit union insolvent. Ironically, only twenty-four hours later Hobbs spent his first night in Noble County jail, unable to meet bond on the total of thirteen indictments returned to that date alleging embezzlement of \$52,100.

Surrender of credit union records by the directors to the state department of financial institutions came on November 11. But, the department was quickly rocked by a blast from Noble Circuit Judge Kenneth A. King, in whose court the grand jury was hearing testimony. Pointing to numerous examinations made of the credit union over the years, and pointing particularly to the letter written by examiner Cambridge asserting that credit union accounts were insured up to \$10,000, the judge called the department "a sad example of bureaucracy" and said he hoped the legislature would take steps to remunerate depositors for the wrong

caused them by the department.

Judge King's blast was followed one day later by suspension of examiner Cambridge. Though Cambridge was called before the grand jury immediately, he was not indicted until December 22. He was quickly freed on bond.

Hobbs, all this time, had his troubles. When he signed over his assets to the credit union on December 4, his retained counsel dropped the case. There followed a long search for counsel, including an appeal to the entire Noble County Bar Association. Even this failed. Two attorneys declined for reasons of health, six on conflicts of interest, and one failed to respond. A Fort Wayne attorney who offered to represent Hobbs without fee was retained for three days, then fired by the former credit union manager. Counsel was found at last in the person of Ralph W. Probst, who told reporters, "I cut my eye teeth on embezzlement cases, and I'm not entering this one without experience."

Bail went too high

By Christmas Eve Hobbs faced seventeen indictments. Bail for the lot was \$148,600, far beyond his means. So he sat out the holiday in Noble County jail. A newspaper reported that his Christmas dinner included roast turkey, dressing, mince pie and coffee.

On New Year's Eve the grand jury joined Judge King in lambasting the department of financial institutions, calling it "a fraud upon the people of Indiana." The jury said, however, there was no evidence showing criminal knowledge on the parts of the directors of the credit union supervisory committee, credit committee or attorney. It condemned the directors for "gross neglect and laxness."

First semi-official estimate of the actual shortage came on January 20 when the state department announced a deficiency of \$1,717,468.14, which it said was subject to revision. About 50 percent of loans and 80 percent of shares had been verified as of September 13, 1958. On July 10 a final announcement revealed that the total shortage was \$2,079,004.

Hobbs got his first day in court on April 6, when he waived arraignment and pleaded not guilty to the grand jury's charge that he embezzled

\$1600 on May 1, 1957. By this time the case had been venued from Noble County to Allen County (Fort Wayne) on defense motion.

The trial opened on May 27. Prosecutor Ketcham outlined in his opening argument the facts concerning the \$1600 check written May 1, 1957. "The state will show," Ketcham continued, "that at no time did the directors, officers or anybody else connected with the credit union authorize any loan to Kimbell Ready-Mix or to Arnold Hobbs," and that at no time was there any evidence of indebtedness of the ready-mix firm to the credit union.

Mrs. Malott, herself under indictment, identified copies of the \$1600 check and \$160 voucher. An auditor testified that \$1,500,000 in credit union funds was paid to Hobbs' businesses over a period of years, and said that Hobbs' personal account in the credit union showed an overdraft of \$35,763.44. Albion postmaster Cary Davis, former chairman of the credit committee, said that he had believed until September 13 that credit union accounts were insured up to \$10,000. Mrs. Ruth Van Aman, credit union secretary, testified that Hobbs took credit union books with him on a Florida vacation in February, 1958. She said she never questioned credit union records, "because I had absolute faith in Arnold Hobbs."

Could not explain

Hobbs' explanation of the \$1600 check and the \$160 voucher was not very persuasive. It all had to do, he said, with provisions set forth by the Small Business Administration, from which he sought loans for his businesses. He said only 10 percent of the supposed loan amounts was listed because he felt the SBA would turn down his loan application if he listed too much in assets. He admitted the 10 percent manipulation, but said that the \$1600 was a legitimate loan to his business and denied that he made any personal gain.

He said his salary as treasurer of the credit union was \$130 per week.

Special prosecutor C. A. Lincoln, in closing the case for the prosecution remarked that "the only way a man could get more than a million dollars in six years from a lending institution while earning \$130 a week, was by everybody believing in him—and

thinking he was honest." Concerning other credit union employees, Lincoln said they did "what he told them to do because they had faith in him and because he was their boss."

Lincoln's closing arguments brought the first outward change in Hobbs' appearance, says Lee Cupp, CUNA director and manager of General Electric Employees Federal Credit Union in Fort Wayne. Cupp, who attended much of the trial, says, "When Lincoln started his argument Hobbs turned gray as a ghost. Up to then I don't think he believed they had a case against him."

Newspapers recorded that neither Hobbs nor his wife showed any outward emotion when the jury returned its verdict of guilty after forty-two minutes' deliberation. The judge immediately imposed sentence of fifteen years plus \$1000 fine.

Records at the Indiana Credit Union League reveal that as far back as September 1956 Hobbs showed an interest in CUNA's 100 percent 576 bond, though the credit union never made application for it. Likewise, fieldmen talked with Hobbs and with the credit union directors several

times about league affiliation. As a fieldman, Clarence Clarkowski, now managing director, wrote on August 5, 1957, "Hobbs is very sympathetic to our league and would like to affiliate."

In April 1958, Clarkowski attended a dinner meeting with Hobbs and the rest of the board. In June, after a follow-up call, Clarkowski reported that the credit union was considering a building program and was not giving much thought to affiliation. The remodeling program was just getting under way at Noble County Credit Union's fine office building a block off the Albion square when the embezzlement was discovered.

Insurance lie built shares

There seems to be no doubt that the supposed \$10,000 deposit insurance was a big factor in this credit union's growth. Any number of members said they put their money in it only because they thought it was completely insured. Another factor, not so often mentioned, was the liberal dividend rate, 4 percent for years, more recently 4½.

Not only was Hobbs able to pro-

CREDIT UNION POCKET CALENDAR FOR 1960 NOW BEING PRINTED

*Easy-to-read Numerals, Attractive Design
Are Features of Popular Promotional Item*

The 1960 version of the popular credit union pocket calendar is now being printed in large quantities on the CUNA Supply presses. Completely redesigned, the calendar card has a new, easy-to-read type face and generous imprint area on the calendar side, and an actual three-inch ruler and credit union message on the reverse side.

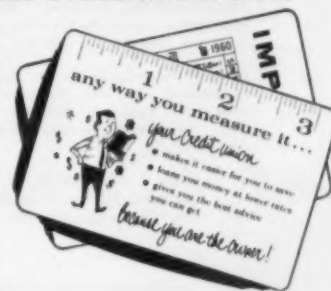
Special printing is available for teachers, fire and police, municipal and state employees' credit unions; paydays, split calendar, etc. on regular or special card stock, including plastic. Quotes may be obtained from CUNA Supply.

Two colors, both sides

Two colors—russet and black—are used on both sides of the calendar card to increase its attractiveness. Tough playing card stock has been selected to keep the card looking new all year long.

Effective message

The message on the back of the card is a strong reminder to the member to



make full use of his credit union. Emphasizes ease of saving, convenient, low-cost borrowing, and good counselling.

Plain or imprinted

The 1960 calendar card may be ordered plain (without imprint), or imprinted with four lines (or less) of type. Early ordering is suggested to allow sufficient time for imprinting and shipping. Watch for order forms and samples to come from: CUNA Supply Cooperative, Box 333, Madison, Wisconsin or Box 800, Hamilton, Ontario.

mote savings in Noble County. He also had the credit union obtain loans from a bank and from five other credit unions, one for \$50,000, three for \$25,000 each and one for \$15,000. These loans were entered on the credit union books not as notes payable but as share accounts in the names of the five credit unions. Attorneys for the state recommended that the bank loan be paid this spring, and it was done. In early July there was still some question whether the

other credit unions would be ruled preferred creditors against the assets.

Gossip current in Noble County paints all sorts of pictures of young Hobbs. Typical statements attributed to him are these:

Passbook verification—"Don't send him one; he'll be in in a few days and I'll give it to him."

Bookkeeping—"It's all right if I posted two debits and only one credit in that entry. I'll take care of that tomorrow."

Financial statement—"That's all right if it doesn't balance. They never do."

From somewhere out of the files, Hobbs could drag out a fraudulent insurance policy any time a member wanted visible proof of the share insurance. Questions about this were frequent, but apparently few asked whether the credit union carried an adequate bond.

He wasn't subtle, but he had charm. As one member said: "He would beam all over you and slap you on the back while he picked your pocket. He could smile while he lied, and he didn't have to stop and think for an answer. He was probably the most popular man in Noble County."

ALABAMA SHARKS

(Continued from page 13)

generally carried my payments by the office.

"I had a good record of making my payments on time, but during the summer of 1956, times began to get so tough that I was having a hard time meeting expenses. It looked like it was all I could do to pay the light and water bills, make payments on my furniture and make the payments on my house to keep them from taking it away from me and keep the notes paid up.

"I had to live closer than hen's teeth to make ends meet. Me and the children and my wife wore old clothes a lot of the time and didn't have enough to eat. It was hard to buy school books for the children. I was making around \$30 to \$32 a week.

"During the summer of 1956 a few times I began to be a little late in making the payments to Mrs. Jones because I would have to pay my grocery bill in order to get something for my family to eat the next week. Mrs. Jones then started sending Mr. Tommy Welch around to my house to see about it. The first time he came he said Mrs. Jones told him to tell me that I ought to file a debtor's petition in Court and put in the names of all the other people I owed, but leave her off the papers in Court. She said that was a good way to get the strain off me and that the other fellows couldn't bother me. I told Mr. Welch to tell Mrs. Jones that I would have to study about it.

"He came back the next week and said Mrs. Jones wanted to know what

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**CARELESS
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Poor cash handling practices, though minor, can lead to a real credit union disaster if not corrected. Review your procedures now, and follow these suggestions:

- Keep the amount of working cash at a minimum. If unusually large amounts of money must be kept temporarily for special purposes, such as payday check cashing, every possible precaution should be taken.
- Deliveries of cash by messengers should never be made according to any regular schedule or routine. Staggered schedules make it difficult for robbers to make specific plans for your credit union. You may find armored car service practical.
- When the credit union is closed for the day, make certain that the safe, cabinets, and other security devices are locked, and that all means of entrance to the credit union are closed and locked.

Your credit union can secure bond coverage with a maximum limit equal to the total assets of the credit union, not in excess of \$1,000,000 (or \$2,000,000 optional bond coverage if total assets are \$1,000,001 or more). Compare this with your present bonding protection, and request complete details now.

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I had decided to do about it. I told him that I couldn't see that it would help too much that way. He urged me to do it and said that the other fellows couldn't do nothing to me and would have to leave me alone and that Mrs. Jones would cut my payments to her to \$5.00 a week and I could pay them weekly all along until I paid them out.

"I decided to go with him and went and filed the debtor's petition and Mrs. Jones paid \$25.00 for me. I went back by Mrs. Jones office and renewed my note with them and they added the \$25.00 on to it. They said I then owed them \$175.00. Before I renewed it I owed \$120.00. This note had already been renewed twice. I don't remember how much money I had gotten on this note.

"The Court was taking \$15.00 a week out of my pay after I made the first \$15.00 payment. I was paying Mrs. Jones \$5.00 a week. That only left me \$10.00 or \$12.00 a week out of my wages to buy food, pay light and water bills and buy coal. It was tough to get by on. I got all the odd jobs I could. I would usually get about \$5.00 a day. Some weeks I could barely get by. Other weeks me and my family would do without things—clothes and food. I kept my payments up with Mrs. Jones until the Spring of this year.

"When I would be late on a payment she would send Mr. Welch to see me. He came to my house 3 times—one time I paid him \$10.00. The other two \$5.00. They said I still owed them \$141.00. The fourth time I saw Mr. Welch, I was walking up Spruce Street and was at the intersection of Bynum Street, sometimes called Second Street. Mr. Welch came up from behind me on Spruce Street in his car. He stopped and called to me. He said he had come to collect his money or kill me one. I said it would be Friday before I would have any money. I had turned around so I could go over and talk with him. I didn't hear him say anything else and he started shooting me with a pistol. He shot me 5 times. This happened on May 8, 1957.

"I was carried to the hospital. I stayed on the operating table 7½ hours. The first time I was in the hospital for five weeks. I was then out two weeks and had to go for another operation. That operation was 7 hours. I was in the hospital three weeks that time. I thank the Lord that I'm still alive. My legs still give me a lot of trouble.

"I've only borrowed money from one other loan company in Anniston. This was in 1942. I don't remember the name of the company. I've always tried to pay my debts. I always thought that Mrs. Jones was charging me what the law allowed for interest on her money. I don't know what the legal rate of interest is but I thought the law took care of that. I've worked mighty hard and always took odd jobs when I could. My family and me have done without a lot of things so I could

keep my notes paid up on time. It's still tough to get by on three days a week."

Mingo Bracy, a totally disabled World War I veteran, made this statement on February 28, 1955, in Montgomery, Alabama:

"About seven years ago, in 1948, I made three loans with Leavell Banking Company, located upstairs on South Court Street. I borrowed \$50.00 on the first loan, signed a note for \$60.00 and paid \$10.00 per month.




What would your credit union do if an officer or committeeman were injured—even killed—while on credit union business? Payment of any kind—to him or to his survivors—would be difficult.

There's a good answer to such an unhappy problem—and an easy one—if your officials are protected by the **GROUP ACCIDENT INSURANCE POLICY**. Your credit union may obtain this coverage on volunteer officers and committeemen for only \$7.50 per year for each individual covered. The policy pays death and major disability benefits up to \$8,000, as well as medical payment benefits up to \$1,000. It's valuable protection at very low cost.

IMPORTANT: This insurance is not available to full-time credit union employees.

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CREDIT UNION _____

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Keeping Posted

ON CUNA SERVICES



The CUNA program and services are planned on the basis of consultation between League officers and staff, national board and committee members and CUNA staff. The basic purpose of the CUNA program is to support, supplement and strengthen League programs. Most CUNA services are available through League offices; some are available directly.

SPECIAL PROJECTS

The Chattanooga Chapter, Tennessee, is the first chapter to adopt the Blueprint for Progress program. The Illinois League's field representatives are now calling on all chapters to acquaint them with the five-session Blueprint program, in time for fall kick-off meetings. (Kent Francis, director.)

ORGANIZATION

Coming up: consultation with Nebraska League to stiffen up training for volunteer organizers. Also, reconnaissance program in Nevada to unearth charter prospects and set up organizing teams. Organization Month is October; Prospect Week is October 11-17. (Bob Dolan, director.)

INSURANCE SERVICES

Loss prevention specialists will be in Louisiana and Prince Edward Island during August; Louisiana meetings scheduled as a result of conference with chapter presidents. A reprint of Bridge article (April, 1959), "Insurance for Credit Unions," is now available free in reasonable quantities. (Stan Harris, director.)

CREDIT UNION BRIDGE

Coverage of Canadian economic subjects has been worked out with freelance correspondent in Ottawa. (Dick Giles, editorial director.)

EXECUTIVE

The executive offices of the Credit Union National Association are located in Madison, Wisconsin, and Hamilton, Ontario. Vance Austin is managing director, Orrin Shipe is assistant managing director and John Brady is comptroller, all in Madison. Bob Ingram is Canadian manager in Hamilton. The Washington office is under the direction of Hubert Rhodes.

LEGAL AND LEGISLATIVE

The Washington office and this department are in close touch with the situation in the House of Representatives, where early in July the credit union bill seemed suddenly stalled. (Dave Weinberg, director.)

ADVERTISING AND PROMOTION

Time is running short for planning special advertising plans for credit unions that need a fall push, like teachers, automotive, etc. Almost time for beginning work on annual meetings. Stock annual meeting materials will be available from CUNA Supply soon. (Phil Davies, director.)

PUBLIC RELATIONS

Credit Union Day kits have been mailed to all chapters, managing directors, CUNA directors and field men. Extra copies available free. TV spots being distributed for all TV stations through chapters. Have you got your Credit Union Day posters yet? (Warren Lutey, director.)

WORLD EXTENSION

Students coming to CUNA summer school from Panama, Basutoland, Uganda, Venezuela and Jamaica will stay extra week for training program with World Extension Department. Conference being set up for Chile in October 4-16, with five South American countries sending representatives. (Olaf Spetland, director.)

On the second loan I borrowed \$20.00, signed a note for \$24.00 and paid \$4.00 per month. On the third loan I borrowed \$10.00, signed a note for \$12.00 and paid \$2.00 per month.

"When I carried the \$16.00 in each month, Mr. Leavell would separate it and say 'here is a \$10.00 interest payment on your \$50.00 indebtedness.' He would then have me sign a renewal note for \$60.00. Then he would take \$4.00 and say 'here is a \$4.00 interest payment on your \$20.00 indebtedness,' fix a renewal note for \$24.00 and have me sign it. Then he would take \$2.00 and say 'here is a \$2.00 interest payment on your \$10.00 indebtedness,' fix a renewal note for \$12.00 and have me sign it.

"All of this \$16.00 was interest alone; I was not touching the principal. I kept that up for about seven years. In my best judgment I paid about \$1,344.00 on these debts.

"I am a veteran of World War I and get 100% total disability. I receive a check from the Federal Government which now amounts to \$202.00 a month but it was not this much seven years ago. About then I was only getting about \$150.00 a month.

"About six years ago I told Mr. Leavell that I did not want to go bankrupt but I was going up to the Court and make arrangements to pay my creditors as best I could. Mr. Leavell asked me not to carry him to court; that he would get me a lawyer. He sent me to Lawyer Robert Coburn and loaned me \$20.00 to start paying Lawyer Coburn, had me sign another note and sent me back to Lawyer Coburn with the \$20.00 which I paid Lawyer Coburn.

"I did not list Leavell Banking Company at that time for this reason but Mr. Coburn put me in a debtor's petition. This was in 1949. I kept on paying Leavell off at \$16.00 per month and signing renewal notes. I think I paid the Court about \$15.00 per month on my debts. None of the loan companies I owed filed their claim against me.

"I also owed for some furniture at Frank Tennille Furniture Company and some jewelry at Elebash Jewelers but did not list these in my debtor's petition. I went by and told each of them what I was going to do but that I was not going to list them and have since paid them in full. I was dis-



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changing magazines,
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**TIME
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Case History — By flofilming members' ledger cards, all manual preparation of quarterly statements is eliminated and 100% photographic accuracy guaranteed!

**SPACE
SAVING**

Case History — A motorized Flofilm 9600 camera helped one Credit Union dispose of a huge backlog of unfilled records and provide efficient, space saving record storage!

ACCURACY

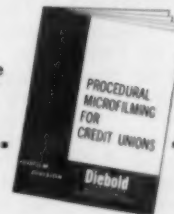
Case History — In order to be in a position to prove disputed insurance claims, individual ledgers must be kept on file for relatively long periods. By microfilming individual ledgers, this Credit Union stores each member's record on microfilm making them easy to locate, occupy little space with all chance of insurance error eliminated!

PROTECTION

Case History — If the ledger cards, ring binders and other vital documents were destroyed, the Credit Union would be "out of business." By flofilming these records and storing the film off the premises, a Credit Union provides complete protection for its vital records at little cost.

Just Out!

A complete report on "Procedural Microfilming for Credit Unions." To see this valuable and informative report — attach coupon to your letterhead and mail today!



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City Zone State

charged from my petition in June 1952.

"I also borrowed \$50.00 from Mr. Berry when he was Manager of Capitol Finance Company and signed a note for \$60.00. I included him in my debtor's petition which I filed in 1949. After that Mr. Berry left Capitol Finance and went with Boswell Finance Company. He stopped me on the street one day and asked me to come by and get some more money; that he was not going to file a claim in the other proceeding. The first time I borrowed \$30.00 and signed a note for \$45.00. He finally made me pay this in a lump sum and then I borrowed \$20.00, signed a note for \$24.00 and paid \$4.00 per month until I carried him into debtor's petition in August 1954, at which time I also carried Watson Finance Company, Capitol Finance Company and Leavell Banking Company. I had borrowed \$50.00 from both Capitol Finance Company and Boswell Finance Company, signed notes for \$60.00 and had paid each company \$10.00 per month for about three years. They were ordered to appear on February 21, 1955, before the Referee in Bankruptcy to propound their claims but none of these loan companies filed any claim at all.

"Sometime when the collectors came by to get their money I would not have received my Government check. When I told them my check had not come they would threaten to take me for a ride if I did not pay them. I would rather not name these collectors.

"About seven years ago I borrowed \$50.00 from Lawyer John Sankey who operated Star Loan Company. I paid him \$10.00 per month and he would renew the note for \$60.00 each month. Sometimes it would be around the 3rd of the month before I got my Government check and could pay him. He would say that I used to be true as a clock but I was falling down. I kept this up for three or four years until I included my debt to him in my debtor's petition. In my best judgment I paid him at least \$480.00. He did not file his claim against me in Federal Court either."

An Anniston lawyer sums up Alabama's loan shark problem in these words: "We have an ugly situation down here that is costing our people millions of dollars each year in illegal interest. The brunt of this cost falls on those least able to pay. Their situ-

ation is daily made worse by the loan companies of Alabama. Far from filling a financial need for these people, the loan companies of Alabama make their financial plight ever worse."

MOSES DIES



Harold Moses, veteran credit union leader from Louisiana, died July 12 of a heart attack.

A director of the Credit Union National Association since 1934 and a member of the board of directors of CUNA Mutual Insurance Society since 1945, Moses was honored at the last CUNA annual meeting as the only director with 25 years of consecutive service.

Employed as an attorney by the Federal Land Bank in New Orleans, Moses was instrumental in organizing a credit union among the employees in 1934. He took part in organizing the Louisiana League, which he served in many capacities, and was president of CUNA Mutual Insurance Society from 1957 to 1959.

He was 58.

IN THE NEWS

Louis Bonderefsky has been appointed managing director of the New York State Credit Union League. **Rex Sheldon** is appointed managing director of the Kansas League. **G. A. Charbonneau** has been named managing director of the Saskatchewan League, replacing Percy Avram, who resigned to become general manager of the Sherwood Cooperative Association in Regina. **Al Ferguson**, formerly part-time managing director in Maine, is now on a full-time basis.

Twenty-two members of Congress took the floor of the House of Representatives on June 26, the 25th anniversary of the passage of the Federal Credit Union Act, to say a few

kind words about credit unions. Two hours were spent in commemorative speeches. Meanwhile, the **Bureau of Federal Credit Unions** held an anniversary luncheon; among the speakers were Julius Stone, president of CUNA; Claude R. Orchard, former head of the Bureau; and William Reid of the CUNA Mutual Board.

COMING EVENTS

August 10-15—**CUNA and affiliates'** quarterly meetings. Loraine Hotel, Madison, Wisconsin. August 13, 10 a.m., **joint meeting**. August 14, 10 a.m., **CUNA Mutual Board**; 2 p.m., **CUNA Supply Executive Committee**. August 15, 9 a.m., **CUNA Executive Committee**.

September 17-19—**Florida** Credit Union League annual meeting, Hotel Robert Meyer, Jacksonville.

October 2-3—**Indiana** Credit Union League annual meeting, Claypool Hotel, Indianapolis.

October 9-10—**Wisconsin** Credit Union League annual meeting, Hotel Northland, Green Bay.

October 15-16—**Fiji** Credit Union League annual meeting, Village of Galoa, Serua.

November 19-22—**California** Credit Union League annual meeting, U. S. Grant Hotel, San Diego.

November 19-22—**Missouri** Credit Union League annual meeting, Hotel Robidoux, St. Joseph.

January 30-31, 1960—**Utah** State Credit Union League annual meeting, Salt Lake City.

February 23-24—**Saskatchewan** Credit Union League annual meeting, Bessborough Hotel, Saskatoon.

March 3-5 — **Ontario** Credit Union League annual meeting, Royal York Hotel, Toronto.

March 4-5—**North Dakota** Credit Union League annual meeting, Memorial Building, Jamestown.

March 11-12—**Connecticut** Credit Union League annual meeting, Hotel Statler, Hartford.

March 18-19—**Rhode Island** Credit Union League annual meeting, Sheraton-Biltmore Hotel, Providence.

March 25-26—**Arizona** Credit Union League annual meeting, Westward Ho Hotel, Phoenix.

April 1-2—**District of Columbia** Credit Union League annual meeting, Hotel Statler-Hilton, Washington.

April 2—**Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore.

April 7-9—**Kansas** Credit Union League annual meeting, Jayhawk Hotel and City Auditorium, Topeka.

CLASSIFIED

Wanted to Buy: A good used accounting machine, any name brand. Contact D. L. Stanton, treasurer-manager, Ionia Public Employees Credit Union, 405 N. Jefferson Street, Ionia, Mich.

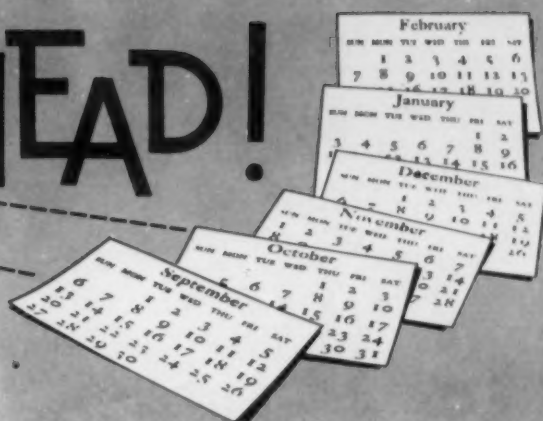
For Sale: Two class 2,000 National Cash Register posting machines in good condition. Contact Marathon Menasha Credit Union, Menasha, Wis.

Position Wanted: Treasurer, manager, now employed large military credit union. Prefer industrial group in South. Age 39, married, one child, accounting major. Now paid \$8,000. Especially adept at restoring accounting procedures to high standard. Write Box A59, Credit Union Bridge, Madison, Wis.

Position Wanted: Manager. Connecticut preferred. Finance major, 2 years experience public accounting, 1 year manager medium-size credit union. Looking for good growth potential. Write Box A60, Credit Union Bridge, Madison, Wis.

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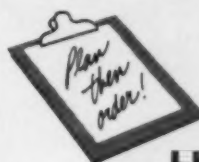
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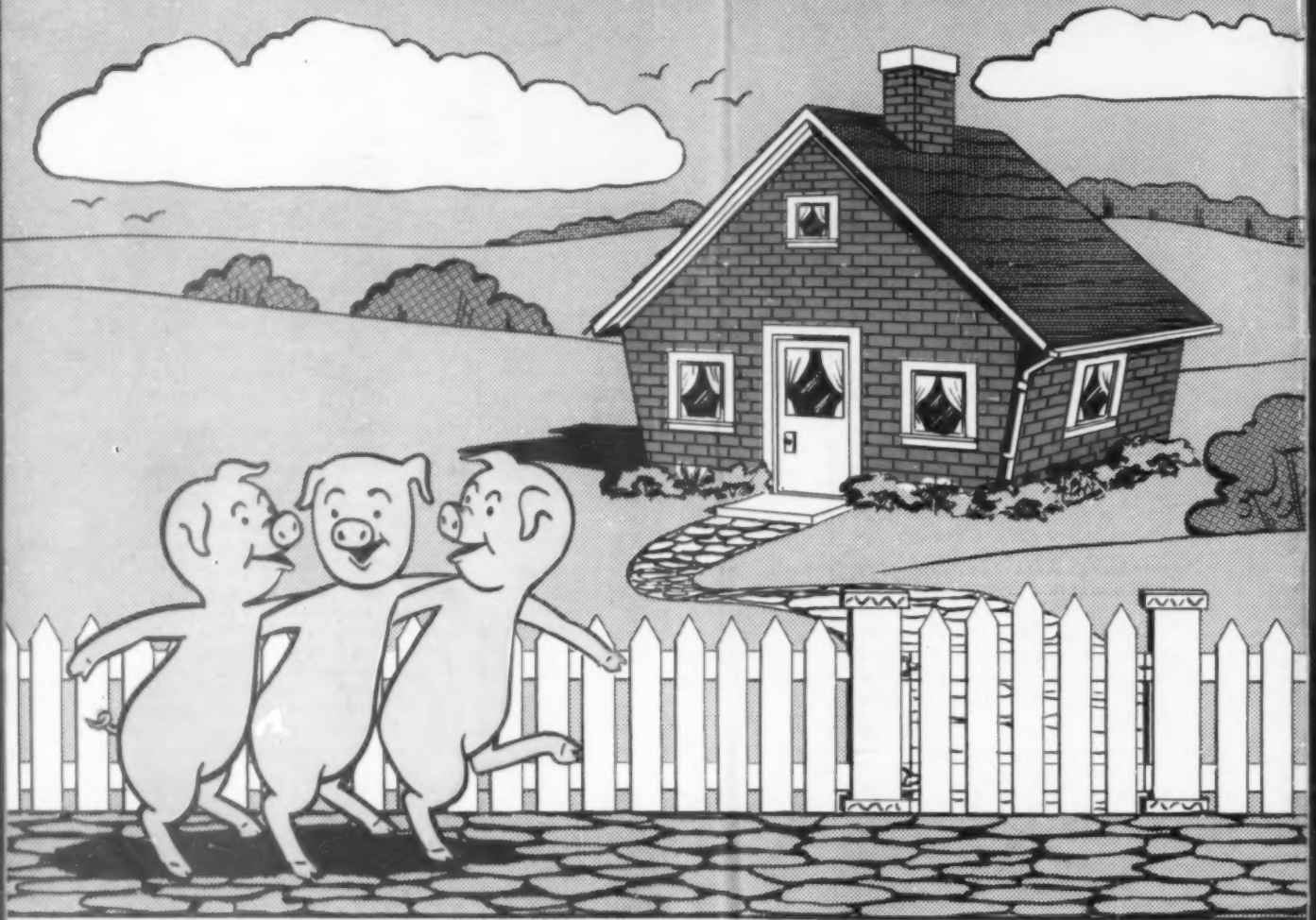
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